FINANCIAL TIMES

World Business Newspaper http://www.FT.com

MONDAY AUGUST 10 1998

Noël Forgeard
New man in the Airbus cockpit
Inside Track, Page 6

Market mover
Pierer aims to spark a Siemens revival
Page 15

Shell goes green
Genuine commitment or image repair?
Inside Track, Page 8

Mexico
Stock market suffers growing pains
Page 16

WORLD NEWS

UN arms inspectors suspend monitoring of new Iraqi sites

The UN commission charged with dismantling Iraq's weapons of mass destruction said it had suspended arms inspections of new sites after Baghdad decided to stop co-operating with UN inspectors. **Page 2**

Kosovo villages attacked
Serbian forces mopping up in western Kosovo were reported to have attacked villages in the Decani area near the Albanian border. **Survivors' tales, Page 3**

War fears in central Africa
Leaders of the Democratic Republic of Congo and Rwanda exchanged threats of outright war as mediation efforts by southern African states began. **Page 2**

Hijack passengers held
Russian security forces kept 70 passengers aboard an airliner at Moscow's Domodedovo airport, believing hijackers who earlier threatened to blow it up might still be among them.

Taliban claims last stronghold
Afghanistan's Moslem fundamentalist Taliban militia said it captured the northern city of Mazar-i-Sharif, the stronghold of a coalition of ethnic militias which has resisted the Taliban for four years. **Page 2**

More crosses raised at Auschwitz
Roman Catholics erected five new crosses outside the Nazi death camp at Auschwitz, despite Israeli calls that dozens of crosses at the site be removed.

Foreign activists detained in Burma
Eighteen foreign activists were detained in the Burmese capital after handing out leaflets calling on people to remember a massacre of opposition supporters 10 years ago. **Anniversary calm, Page 3**

Ruling party ahead in Sweden
Sweden's ruling Social Democrats widened their lead over the main opposition Moderates six weeks before a general election, according the latest opinion poll.

Denktash says ruling 'unjust'
Turkish Cypriot leader Rauf Denktash said a European court ruling that Turkey must compensate a Greek Cypriot refugee from fighting in 1974 was "unjust and biased".

Malaysia rumours spark tension
Rumours on the internet of a resurgence of racial unrest in Malaysia sparked a run on sugar, flour and rice, while some businesses sent workers home and closed early. **Page 4**

Iran ready for normalisation
Iran signaled its willingness to normalise relations with Iraq, but said that exchanging all prisoners from their 1980-88 war must come first.

Brazil announces labour reform
The Brazilian government has announced an extensive reform of the country's labour laws in an attempt to halt rising unemployment. **Page 4**

Bell Atlantic workers strike
About 73,000 workers went on strike at Bell Atlantic, one of the biggest US telephone companies, posing a threat to telephone services in New York, Washington DC and the north-east. **Page 3**

Fossett on course for S Africa
American adventurer Steve Fossett was far out over the south Atlantic, headed for South Africa in his attempt to make the first non-stop trip around the world in a balloon.

BUSINESS NEWS

UBS removes LTCB from brand name of joint venture

United Bank of Switzerland has removed any reference to Long Term Credit Bank from the brand name of its joint venture with the Japanese bank, and may buy the 50 per cent of the joint venture it does not own. **Page 13**

Independent motor traders involved in controversial, "unofficial" car imports to the UK have applied for judicial review at the High Court of UK government rules restricting their activities. **Page 12**

Towers Perrin, management consultancy, has warned investors to check for hidden charges in the "expensive and antiquated" asset management services in Europe. **Page 12**

BOC, the British industrial gases group, is expected to announce up to 3,800 job cuts around the world tomorrow after a wide cost-cutting review. **Page 13**

Audi, the executive car subsidiary of Germany's Volkswagen, underlined its position as one of Europe's fastest-growing car companies when it reported first-half 1998 pre-tax profits increased by 64 per cent to DM804m ($454m). **Page 16**

Merger activity among European banks has accelerated in the last 18 months, yet most mergers in the sector have failed to deliver value to their investors, according to a new study. **Page 14**

Insurance, telecoms and transport companies are the most at risk of disruption from the introduction of European economic and monetary union. **Page 13**

Saab, Swedish carmaker, has announced higher first-half losses after production stoppages and increased costs associated with the US launch of its flagship 9-5 model. **Page 16**

Consortium de Réalisation, the state-backed vehicle set up to sell assets from Crédit Lyonnais's balance sheet, is preparing to sell AOM, one of France's biggest airlines. **Page 16**

Metsä-Serla, Finland's third largest forestry group, reported a sharp increase in first-half profits following rising demand for paper and packaging products and reduced loan losses. **Page 15**

Initial public offerings on the New York stock market will this week provide some indication of institutional investor sentiment after two weeks of turbulence in global stock markets. **Page 15**

E! Entertainment Television, the Los Angeles-based cable and satellite network, is talking to partners about launching a UK channel. **Page 14**

Canada's bank shares fell after a profit warning from Canadian Imperial Bank of Commerce on Friday sparked fears of a slowdown in the sector. **Page 16**

Casio, the Japanese electronics group, announced plans for a Y15bn ($103m) share buyback as part of an effort to improve shareholder equity. **Page 15**

The World Bank has warned India that its high public sector deficit is threatening the country's macroeconomic stability and acting as a drag on growth. **Page 4**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
Page 29

FBI agents to probe embassy blasts

Albright rejects calls for swift action against terror suspects

By Richard Wolffe in Washington, Michela Wrong in Nairobi and Roula Khalaf in London

The US has sent more than 100 investigators from the Federal Bureau of Investigation and other agencies to track down the bombers who devastated buildings near US embassies in east Africa on Friday, killing more than 200.

US officials yesterday said a video camera on top of the US embassy in Dar es Salaam, Tanzania's capital, may have filmed the attack. But no details were available about the film's contents.

The Daily Nation, Kenya's leading newspaper, also carried reports by witnesses who claimed to have seen a man drive into the rear parking bay of the US embassy in Nairobi in a pick-up truck just before the blast there.

The newspaper also quoted a security man who said he had seen three Arabs using a video camera to film the embassy four days before the blast. He told the Nation he had alerted the guards at the embassy but they had dismissed his fears.

However, three days after the bombings, US officials admitted they had no firm evidence of which groups were behind the attacks.

Madeleine Albright, US secretary of state, yesterday warned against calls for swift retribution against possible suspects, saying more information was needed before the US could act.

She said: "I think that while there might be an instant gratification to do something about an attack on us, we have to be absolutely sure we have the facts straight. The memory of the United States is very long and our reach is very far, and we have systematically brought in people who have been accused of terrorist acts."

Speculation about responsibility for the attacks continued to focus on extremist groups in the Middle East. A previously unknown Islamic organisation calling itself the Islamic Army for the Liberation of Holy Places claimed responsibility at the weekend for the bombings, in statements sent to Arab news organisations.

The group said the Nairobi attack had been carried out by two Saudis from Mecca and the Dar es Salaam bombing by an Egyptian. However, Islamic groups in London said they had never heard of the Islamic Army and warned it might be a new group trying to make its mark by claiming attacks it had not been involved in.

As the search for the perpetrators intensified, the White House faced criticism that it had taken a soft line on terrorism by failing to identify the terrorists behind the 1996 bombing of a US complex in Dhahran, Saudi Arabia, which left 19 American servicemen dead.

US under fire, Page 2
Editorial Comment, Page 11

Chinese soldiers try to repair a dyke to stop floodwaters of the Yangtze River pouring into the city of Jiujiang. Nearly 14m people have had to leave their homes due to the worst floods in over 40 years. Report, Page 4 Picture: Reuters

Tokyo may be forced into wider banking reform

By Gillian Tett in Tokyo and James Harding in Beijing

Japan's prime minister yesterday said the government could make its plans for banking sector reform more radical to win broad-based political support for key financial sector bills.

"We need to pass [our banking bills] as early as possible by striking a compromise with the opposition parties, no matter what the cost," Keizo Obuchi said. "We must enter into talks with opposition forces that may have negotiable plans."

The Japanese opposition have warned they may seek to block the bill in the Upper House of parliament because they believe the ruling Liberal Democratic party's plans are too timid. They want to introduce more transparency and speed in tackling problems, as well as to consider nationalising banks.

Although the LDP has so far rejected these calls, the Upper House elections last month have given the opposition more strength in parliament and may force the LDP to change some proposals.

This would potentially bring a new dimension into Japan's efforts to tackle the banking sector, which has problem loans worth Y87,000bn ($603bn). The LDP is planning to submit to parliament two banking bills this week, including legislation to create a "bridge bank" that would make it easier for Japan to cope with any possible bank collapses.

The fate of this bill is being closely watched by the markets because it is central to efforts to tackle banking sector problems.

The yen fell to a two-month low of Y146.25 against the dollar on Friday, almost touching the Y146.75 level it reached in June before the US unexpectedly stepped in with a round of intervention. The fall reflected market disappointment that Mr Obuchi did not pledge more radical banking reform in his first speech to parliament on Friday.

The LDP argues that any delay in passing the bill could deal a blow to market confidence this week and further undermine the yen. This in turn could fuel fears about a wave of competitive devaluations across Asia.

However Jiang Zemin, China's president, yesterday reiterated Beijing's pledge not to devalue the Chinese currency, telling the visiting Japanese foreign minister that China would continue its efforts to keep the renminbi stable despite a slowing economy.

Although a period of political wrangling in Tokyo about the "bridge bank" bill could add to market unease, some of Japan's trading partners, such as the US, also hope the opposition's moves will force the LDP to improve its banking legislation.

That sinking feeling, Page 11
Joint venture in doubt, Page 13

Palestinian Authority under fire over economic planning

By Judy Dempsey in Jerusalem

The Palestinian Authority, responsible for the autonomous areas of the West Bank and Gaza, has come under fire from international donors in a dispute over funding of up to $600m a year.

A letter signed by the European Union – the largest of the donors – the World Bank, USAid, Japan and Norway, has criticised Nabil Shaath, Palestinian minister of planning and international co-operation, for the authority's slowness in setting economic strategy and spending priorities for the coming year.

He was one of several ministers singled out last year for alleged corruption by the auditing committee of the Palestinian legislative council, the de facto Palestinian parliament.

The letter, sent to Mr Shaath, blames him for "lack of clarity", saying it was still "unclear as to exactly what assistance is needed by the Ministry of Planning" to set out an agenda for the Palestinian development plan (PDP).

Mr Shaath is responsible for drawing up the plan, the blueprint for setting out recurring costs and priorities for distributing donor aid.

The donors also warned that the authority had to prove its "ability to absorb moderately high levels of investments ... in an environment of heightened competition for aid budgets".

Mr Shaath admitted there was poor communication between the donors and the authority, but he rejected charges that the development plan lacked a strategy. "We are sharpening our priorities," he said. "We have identified water, sewerage, roads, education and health as our priorities and [are] asking donors to choose from among these sectors." He said an annual $600m of donor assistance was required until 2001.

But donors believe the Palestinian economy has few chances of improvement and self-sufficiency unless Israel allows full and free passage of goods between and in and out of the West Bank and Gaza, and until the PA sets up an adequate tax and investment legal framework.

UNHCR responds to claims over accounts

By Andrew Edgecliffe-Johnson in London

The United Nations High Commissioner for Refugees moved at the weekend to defuse criticism of its management and financial practices, with a rebuttal of allegations raised by the Financial Times investigation into the organisation.

The nine-page document, published eight days after the UNHCR originally said it would respond to allegations of dubious accounting and management shortcomings, was circulated to 53 donor governments on Friday. Several donor nations had expressed concern about issues raised by the investigation.

The UNHCR's report said its record must be judged in the context of the "extraordinary demands" placed on it by the hazardous areas in which its staff operate. The number of refugees relying on the operation has doubled to 22m over 10 years. It said the agency, led by Sadako Ogata, the high commissioner, "welcomes close external and internal scrutiny of its operations, believing that it is critical for revitalising the organisation and helping it remain strong".

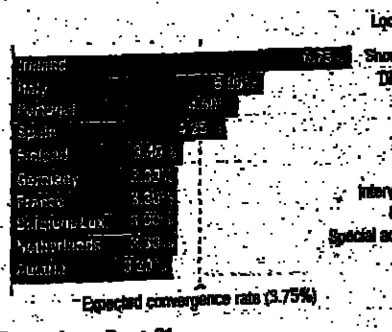
Concerns were raised about the UNHCR's accounting practices in a report from an international board of auditors last month. Some points had been raised in previous years, including concerns that the organisations with which the UNHCR works in the field had not submitted audit certificates in time to back up UNHCR's annual expenditure statements; delays by field offices in submitting project monitoring reports; and problems with implementing a new asset-management system. The organisation said, however, it had taken measures "to improve itself for the sake of better services to refugees and to maintain the commitment of its member governments". It also rejected allegations of "dubious" accounting practices.

The UNHCR laid heavy emphasis on the fact that the auditors' concluding judgment on its accounts for 1997 was "positive and unqualified".

The report did not tackle allegations that it has not adequately monitored its compliance with UN policy guidelines on the protection of women, children and the environment.

UNHCR counters claims, Page 2

EURO INTEREST RATE CONVERGENCE



This chart shows the official interest rates of the 11 countries that will participate in Europe's forthcoming single currency. Analysts surveyed by Standard & Poor's MMS expect the short-term interest rates of the 11 countries to converge at a 3.75% initial rate for the European Central Bank at the beginning of 1999

Euro prices, Page 21

CONTENTS

Full contents and Lex back page

WORLD NEWS

Kenya rescue teams turn on US marines

By Michela Wrong in Nairobi

"The Americans have behaved like assholes from day one," snorted the ambulance worker. His scathing comment summarised the feelings of many of those standing in the cold, waiting to see whether microphones and sniffer dogs provided by Israel would yield further signs of life below the concrete and metal.

In the three days since a massive bomb ripped through Nairobi's city centre, heavily armed marines working with grim efficiency have cordoned off the shattered US embassy building behind a screen of barbed wire and grey sheeting.

But by last night their failure to join the frantic excavation efforts atop the huge pile of rubble once known as Ufundi House had triggered amazement and fury among exhausted rescue workers.

Situated behind the embassy, the seven-storey building housing insurance offices and a secretarial college took the main brunt of Friday morning's blast.

While the embassy remained standing, the old block, described as "soft" by Israeli specialists, simply folded. Until Saturday night the calls of victims buried under the debris could still be heard.

But despite growing evidence that the collapsed Ufundi House, rather than the legation, would eventually give up the greatest number of bodies, US marines remained behind their self-appointed perimeter, warning away outsiders attempting to enter the document-strewn premises.

"I went into the embassy soon after the blast to pull a victim out and a marine pulled a gun on me and shouted at me to back off," said David Tredrea, a trauma specialist. "Since then I don't believe a single one of them has helped in excavation on Ufundi House."

Other rescue workers complained that in the hours following the blast, when passers-by scrabbled with their hands at the wreckage, US marines brushed away requests for shovels and digging tools. "People were asking for a drill so that we could get some air to the people we could hear inside. But they refused," said a Red Cross worker.

A US embassy spokesman, William Barr, said the criticisms were unfair, given that overwhelmed US officials were still trying to locate scores of missing employees and establish how many had died inside the embassy itself.

"We don't have a whole load of people on the ground as it is," he said.

Prudence Bushnell, ambassador, acknowledged there might have been "some misunderstanding", but stressed the marines were trying to protect a site that could yield vital clues to FBI investigators.

"You have to cordon off in order to maintain the evidence," she said. "It looks as though we're trying to keep people out, but we're trying to keep the site intact. It is in everybody's interest to find out who is behind the evil."

More than 300 US investigators, medical personnel and rescue specialists are heading for Nairobi with equipment and medical supplies.

But according to members of the Israeli team – veterans of earthquakes and suicide bombings who took over excavation operations at the weekend – the chances of finding survivors become virtually nil after the first 72 hours.

"Last night we were still talking to an injured woman named Rose," said Captain Danny Kaplan. "But we haven't heard her voice today. She may be too tired to talk or she may be dead."

By yesterday good news had become thin on the ground. An injured man was miraculously pulled from Ufundi House still alive on Saturday after 36 hours below the debris, and there was a flurry of excitement yesterday when a caretaker's wife and her 13-year-old son walked dazed from the still-standing Co-operative Bank House.

Scores of US personnel will continue to fly into Nairobi with expertise and equipment in the coming hours. But the time for miracles has probably already drawn to a close.

For disillusioned residents, the mass arrival of US personnel will smack more of a Washington exercise aimed at reassuring worried voters back home than one aimed at saving Kenyan lives.

Israeli special rescue team members and Kenyan rescue workers carrying an injured man Reuters

UN suspends new Iraq site inspections

By Jeremy Grant in London and Laura Silber in New York

The United Nations commission charged with dismantling Iraq's weapons of mass destruction (Unscom) yesterday said it had suspended arms inspections of new sites after Baghdad decided to stop co-operating with UN inspectors.

The move intensifies a stand-off between the UN and Iraq, which began last week when Baghdad said it would suspend its co-operation with Unscom and called for an immediate end to sanctions imposed after it invaded Kuwait in 1990.

Janet Sullivan, of the UN Baghdad ongoing monitoring and verification centre, said the inspections would be suspended. But Unscom experts would continue to monitor sites already identified by inspectors looking for evidence of prohibited weapons.

"In light of the present situation and pending further instructions, inspections are being conducted of the sites in Iraq which are subject to monitoring," she said. These included sites either declared by Iraq or designated by Unscom.

The Security Council has dismissed the Iraqi move as "totally unacceptable" but is backtracking from its earlier threat of "severest consequences" if Baghdad violated the agreement worked out between Kofi Annan, UN secretary-general, and Iraqi President Saddam Hussein in February. In it, Mr Saddam pledged full access for UN inspectors.

Madeleine Albright, US secretary of state, yesterday said that Iraq would not win the latest stand-off. "Saddam Hussein has wrestled himself to the ground. He is stuck in a box and he has thrown away the key," she told NBC's Meet the Press.

Despite the Security Council's divisions over policy towards Baghdad, Richard Butler, chief UN weapons inspector, said yesterday: "I don't hear any one in the Council saying Iraq should be relieved of its obligations. There are a variety of approaches of how to skin this cat."

Robin Cook, British foreign secretary, accused the Iraqi leader of "playing his cat and mouse game again" and insisted that the sanctions imposed on Iraq in the wake of the Gulf war would not be lifted until it complied with UN demands.

Iraq's ruling Baath party newspaper al-Thawra yesterday said the row with the UN experts could only be resolved by easing sanctions, and that Baghdad would not accept "a piece of sweet given to an angry child".

The sanctions include a ban on the free export of Iraq's oil, its most profitable commodity.

To have sanctions lifted, Unscom must certify that Iraq is free from all proscribed weapons.

The dispute began when Mr Butler last week rejected a demand by Baghdad that he state that Iraq had destroyed its dangerous weapons.

He said he did not have the evidence to support such a declaration.

White House defends security services

By Richard Wolffe in Washington

The US administration yesterday defended its security services against criticism in the wake of Friday's car bomb attacks against US embassies in Nairobi and Dar es Salaam.

Madeleine Albright, US secretary of state, said the end of the cold war had made it more difficult to gather intelligence about groups planning to attack US targets. On NBC television, she said: "We went through 50 years where we knew who the enemy was, and we consolidated our forces, we built up our military, we had a way of dealing with a specific threat – the Soviet Union and communism.

"We now have a new threat. Global terrorism is a huge threat, and we discuss it at all levels. But it is a complicated one. It comes from a variety of places, it deals with individuals who are willing to commit suicide in order to do it or some other act, and I think that we as a country have problems with this, and we are dealing with it here and internationally."

In the wake of the attacks, international analysts have criticised the US government for failing to adapt its intelligence operations to the threat of terror groups. US agencies earlier this year also came under fire for failing to alert Washington to a nuclear build-up in the Indian subcontinent.

Richard Haas, of the Brookings Institution in Washington, said the US still relied too heavily on cold war tactics of satellite surveillance and intercepting telephone calls.

That strategy was inadequate against international terrorism, which demanded more human intelligence to track down individuals, he said.

The White House yesterday said it would attempt to speed security improvements at US embassies worldwide, after blaming congressional spending limits for delaying work in Nairobi until next January.

UNHCR counters claims of financial mismanagement

By Andrew Edgecliffe-Johnson

The United Nations High Commissioner for Refugees has issued a detailed rejection of allegations in the Financial Times concerning financial and other mismanagement, dismissing allegations that the organisation is wasting money or that it has lost focus.

The UNHCR says the FT's articles contained "gross errors and misrepresentations, half-truths and distorted facts".

The FT's investigation, published on July 29, was based on interviews with former and current employees and internal documents. These included a detailed report by an international board of auditors, completed last month, on the way the organisation manages the funds received from donor nations.

The UNHCR cites the situation in former Zaire in 1996 as an example of the pressures under which it operates. Appeals to governments to remove criminal and armed elements from the country's refugee camps went unheeded, it says, leaving the organisation with little option but to employ Zairean soldiers to maintain law and order. Those same soldiers later killed refugees and UNHCR staff.

Against this background, the UNHCR insists it places "heavy emphasis on ensuring responsible management of its financial and other resources".

■ **The auditors' report:** The FT found that the latest auditors' report, covering 1997, highlighted recommendations made for several years which had not been implemented. However, the UNHCR says it had an "excellent record" of co-operation with the audit board, and of "following up on audit recommendations".

The auditors' report included concerns that "the financial statements [for 1997] do not truly reflect the expenditure during the year", that accountability of implementing partners was weak, and that expenditure on projects was sometimes overstated.

The UNHCR points, however, to the "positive and unqualified" conclusion to this year's report.

■ **Administrative costs:** The FT alleged that a substantially smaller proportion of the UNHCR's budget is spent on refugees than the 80 per cent it officially claims, and that its accounts contain "hidden" administrative costs.

The UNHCR says its financial statements "make clear distinctions between money spent on assistance to refugees and administrative costs". It says administrative support costs amounted to 10.5 per cent of total expenditure in 1997. In answer to a query, a UNHCR spokesman said another 20 per cent went on "programme delivery", including the cost of personnel to protect refugees.

■ **Income and expenditure:** The UNHCR acknowledges its auditors' query as to whether amounts pledged by donors should be recorded as income before they are paid. The board found that $64.2m was recorded as income and voluntary contributions in the 1997 accounts although it had not been received by December 31 1997. However, UNHCR says: "As far as current financial rules are concerned, UNHCR has not overstated income and member governments have fully endorsed this practice."

The FT cited the auditors' concern that $193.5m was recorded in a provisional account and not justified by the end of the year. "This issue is a technical one and deals with the question of the point at which expenditure incurred by implementing partners should be taken into the UNHCR's accounts," the UNHCR says, adding that the board wants further improvements to this procedure.

■ **Absence of certificates:** The auditors have raised concerns every year since 1994 that the accountability of implementing partners was weak because audit certificates have not been submitted in good time. By March 1998 no such certificates had been received for 1997. The UNHCR denies that this meant it was impossible to know what money had been spent or how, saying that it has other control mechanisms including its staff in the field. It adds that it has taken steps to "ensure a more comprehensive and timely submission of audit certificates".

■ **Allegations of fraud:** UNHCR management told the auditors that no cases of fraud and presumptive frauds had come to its notice during the year, although the FT learnt that lawyers for one former staff member claimed last year that he was victimised for being a whistleblower having reported two frauds. The UNHCR's report says that it reports fraud cases only after investigations have been completed, and that it found no fraud or presumptive fraud when it investigated the former staff member's allegations.

■ **New systems:** It says that the FT's statement that a staff performance appraisal system was shelved after more than $2m has been spend on outside consultants is incorrect. The FT has learnt that the UNHCR's Financial Management Information System Version 5, an accounting system on which it spent more than $2m, was scrapped last year in favour of a new package after two years of development. The separate Career Management System is being implemented.

Aircraft chartered in Zaire 'never left the ground'

The United Nations High Commissioner for Refugees paid $130,000 to charter two aircraft which may never have left the ground, according to the organisation's rebuttal, **writes Andrew Edgecliffe-Johnson.**

Details emerged in response to a report in Africa Confidential, the London-based newsletter, that the UNHCR might have financed supply flights of ammunition as well as food to soldiers of the former Zaire during the country's civil war in 1996. The soldiers later killed refugees and UNHCR staff in the region.

A UNHCR spokesman, Kris Janowski, said the organisation had unearthed evidence that the aircraft in question never flew from Kinshasa, the Zairean capital, to Goma in eastern Zaire, where the soldiers had been employed to guard UNHCR refugee camps.

He said the UNHCR was still "not 100 per cent sure" whether the flights had gone ahead, but added that an UNHCR investigation into the flights had produced a "clear letter from air traffic control in Kinshasa" indicating that no such flights took place on November 1 1996, the date in question.

Mr Janowski confirmed the UNHCR had paid $130,000 to Jeffery Travel, a Kinshasa charter company, for the flights.

He said the organisations had not been able to recoup the funds as the company had "fallen apart" when Mobutu Sese Seko's regime collapsed.

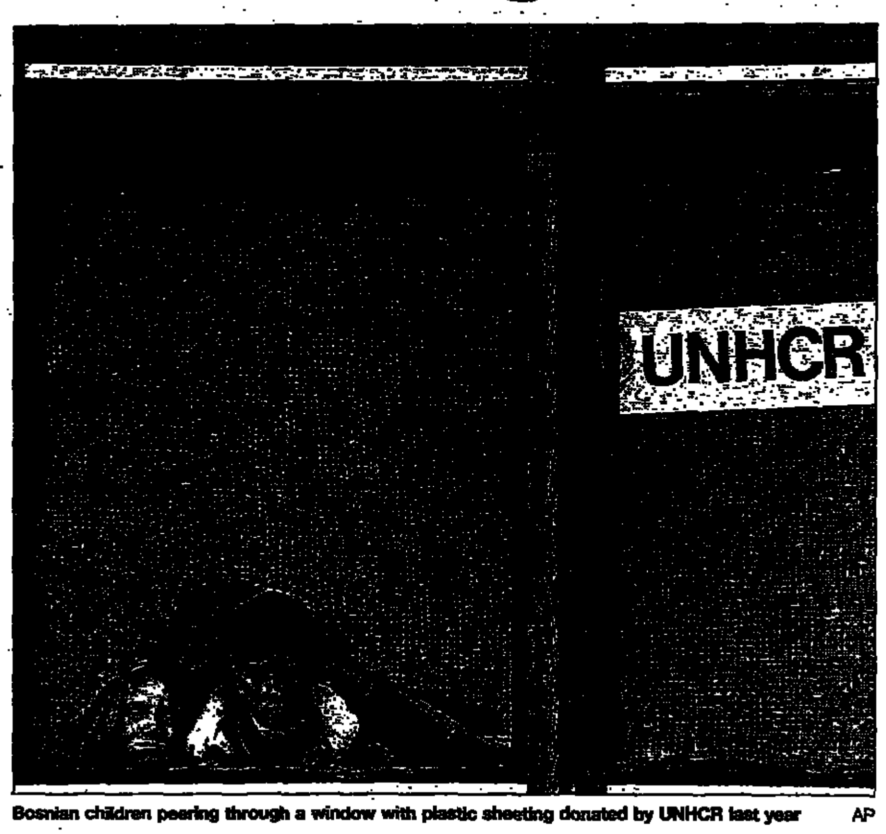
He added that the episode was evidence of the acute problems posed by situations in which the UNHCR worked, rather than of lax controls.

The Financial Times has seen purported copies of invoices from Jeffery Travel, dated October 30 1996, for two flights of 30 tons of material and equipment, at a cost of $65,000 each.

Documents dated October 31 also confirm that the UNHCR's regional office in Kinshasa requested that its administrative office should make the payments.

An unsigned printed document apparently replicating Jeffery Travel's missing aircraft logsheet for November 1 records that an aircraft made two flights to Goma that day, carrying "60 tons of material and equipment".

The UNHCR said, however: "Airport records and observers on the ground confirm that no such aircraft left Kinshasa between October 29 and November 2, and further that the Goma airport was closed on November 1."



Bosnian children peering through a window with plastic sheeting donated by UNHCR last year AP

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Colin A. Kennard as Geschäftsführer and in London by David C M Bell Chairman, and Alan C Miller Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P Maravigna, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Bradley P Johnson. Telephone +46 8 791 2345. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

R

EMERGENCY SUMMIT SOUTHERN AFRICAN STATES APPOINT GROUP TO PROBE CONFLICT

Congo warns Rwanda of war

By Our International Staff

Leaders of the Democratic Republic of Congo and Rwanda exchanged threats of war at the weekend as mediation efforts by southern African states got under way. At the end of a seven-nation emergency summit at Victoria Falls, Robert Mugabe, Zimbabwe's president, called for an end to the fighting and announced the appointment of a committee to investigate the widening conflict.

The Congo government last night said that it had launched twin offensives against rebels and Rwandan soldiers in the east and west of the former Zaire and that fighting was taking place on both fronts.

Mr Mugabe said the committee – comprising Zimbabwe, Zambia, Namibia and Tanzania – "will immediately get to work to ensure that... fighting is stopped, that there is a ceasefire".

"We will investigate all allegations... but for us the important thing is that the fighting is put to an end," Mr Mugabe said after the meeting, attended by Laurent Kabila, president of Congo, and Rwanda's leader, Pasteur Bizimungu.

But the absence of South Africa, not invited to the meeting, raised doubts about the likely impact of the initiative. A South African government delegation has held separate talks with Mr Kabila in the southern Congo city of Lubumbashi.

At the end of the summit, Mwenze Kongolo, Congo's justice minister, once again called for the withdrawal of Rwanda's troops, which he alleged were supporting anti-Kabila rebels in eastern Congo. Asked what would happen if Rwanda did not withdraw, he said: "Then there will be war."

Throughout the weekend Congo radio broadcast accusations against Rwanda and urged young people to join newly created militia units to defend the country.

Mr Kabila accuses the Tutsi-led Rwandan government of masterminding the revolt, although Rwanda has denied the charge.

On his return to the Rwandan capital, Kigali, Mr Bizimungu accused Mr Kabila of trying to establish a pretext to attack Rwanda and threatened Congo with a pre-emptive strike. "We will not wait for Congo to attack first," Mr Bizimungu told Associated Press.

He said Rwanda had evidence that Mr Kabila had been training at least 10,000 former Hutu soldiers and militiamen, whom he planned to use against Rwanda.

The soldiers and militia were responsible for the 1994 genocide of more than 500,000 minority Tutsi and politically moderate Hutu. The killing ended when Tutsi-led rebels won power in Rwanda in July 1994, sending the former Hutu government across the border into Congo.

Taliban claims capture of last Afghanistan city

By Charles Clover in Moscow

Afghanistan's Moslem-fundamentalist Taliban militia says it has captured the northern city of Mazar-i-Sharif, the stronghold of a coalition of ethnic militias which has resisted the Taliban's advance for the last four years.

Iran, which is hostile to the Taliban, accused the group of capturing 11 Iranian diplomats in the city. It demanded their immediate release.

However, spokesmen for the Afghani resistance say the Taliban's attack on the city was repelled on Saturday.

If the Taliban's reports are correct, it would mean the group now controls virtually all of Afghanistan. Mazar-i-Sharif, on the road to Kashmir, had been the last city to remain outside its grasp.

Officials in Pakistan, which has been close to the Taliban in the past, said their reports indicated that the group had captured Mazar-i-Sharif, although it might not yet have gained complete control of the city. Resistance forces still control some strategic passes high in the Hindu-Kush mountains.

The Taliban has captured Mazar-i-Sharif once before, in May 1997, but was unable to hold on to it. Experts say if the Taliban manages to retain control of the city this time, it would fundamentally alter the balance of power in southern and central Asia, affecting flashpoints from Kashmir to Iran.

"The seizure of Mazar-i-Sharif will certainly affect the balance of power throughout the region," said Irina Zviagelskaya, a central Asia expert at the Russian Centre for Strategic Research and International Studies in Moscow, speaking before the weekend.

The fall of Kabul in 1996 cemented an alliance between Russia and Iran to back the northern forces. A further Taliban victory could strengthen Pakistan's political influence in the southern Asia region, aggravating tension between India and Pakistan.

NEWS DIGEST

DISPUTE OVER LABOUR CONTRACT

Bell Atlantic hit as 73,000 workers walk out

About 73,000 workers yesterday went on strike at Bell Atlantic, one of the biggest US telephone companies, posing a threat to telephone services in New York, Washington DC, and the rest of the densely populated north-eastern US. The employees walked out after their union, the Communication Workers of America, rejected terms for the renewal of their labour contract.

Bell Atlantic provides telephone, cellphone, cable television and internet services to more than 27m customers in 13 north-eastern states. It said 22,000-23,000 managers would be deployed 12 hours a day, six days a week, on work previously done by the striking workers to minimise the disruption to customers.

Automated telephone calls, which account for the vast majority of traffic handled by Bell Atlantic, should be largely unaffected by the strike. But the company said customers might have to wait longer than usual for operator or directory assistance, and delays to repairs and new installations could build up if the strike continued.

Bell Atlantic said there was "absolutely no reason" for the strike because the two sides were close to agreement over increased wages and benefits and continued job protection. The company and union were due to meet again late yesterday, with the company optimistic that a deal would be reached. **Richard Tomkins, New York**

GERMAN BUSINESS

Share of exports holds steady

Germany's share of world exports in 1998 looks set to remain at last year's level of 10 per cent, according to a report published today by the German chambers of industry and commerce (DIHT). The study is compiled from data collected by DIHT representations in 74 countries.

German exports last year rose 12.4 per cent. However, the increase was offset by a 19 per cent rise in the total volume of world trade, leaving Germany with a year-on-year drop of 0.7 percentage points in its share.

The DIHT report pointed out that last year German companies had performed strongly in markets with low growth rates, while their share in fast-growing markets such as Chile, Ireland or China had only been 6.5 per cent.

The bulk of German exports still goes to countries in Europe, where Germany's market share dropped from 19.1 per cent in 1996 to 18.1 per cent in 1997, while the US share of the EU market rose 0.8 percentage points and China 0.3 percentage points.

However, the study attributed these shifts largely to currency fluctuation. **Tobias Buck, Bonn**

HUNGARIAN CURRENT ACCOUNT

Deficit rises in June

Hungary's current account deficit climbed $520m in June to bring the cumulative six-month total to $947m, up $184m or 24 per cent compared with the same period last year. Preliminary figures from the central bank show that the June deficit was boosted by the relatively large monthly outflow of repatriated funds connected to Hungary's increasingly productive manufacturing industries, which are mostly foreign-owned. These brought the first-half outflow related to foreign investment to $949m, against $645m last year.

The first-half trade deficit within the current account was $737m, down $222m or 23 per cent on the corresponding period last year. The central bank put the June figures down to seasonal fluctuations and remains confident that the year-end current account deficit will be within the target of 2-2.3 per cent of gross domestic product. **Kester Eddy, Budapest**

HONG KONG LEADERSHIP

Tung's popularity tumbles

The popularity of Hong Kong's leader, Tung Chee-hwa, has hit a new low, reflecting growing pulic perceptions that the territory's battered economy is in free fall, according to an opinion poll published yesterday.

The poll in the Sunday Morning Post found 56 per cent of those questioned were satisfied with Mr Tung's performance, a 5 percentage point drop since June and part of a steady downward trend. His popularity peaked at 89 per cent in October and he was hailed as a hero in the months following Hong Kong's return to communist China after more than 150 years of British colonial rule.

But then Asia's financial crisis caused the economy shrink 2.8 per cent in the first quarter of 1998, spawning heavy job cuts. **Reuter, Hong Kong**

WAR CRIMES TRIBUNAL

Indicted Serb shot dead

A Serb wanted by the international war crimes tribunal was shot dead by a policeman after an argument at a cafe in central Serbia, police said at the weekend. Slobodan Miljkovic and two other people were shot on Friday night after Miljkovic insulted an officer's girlfriend, the police said. The policeman was arrested.

Miljkovic, 36, was indicted by the UN war crimes tribunal at The Hague for war crimes and crimes against humanity committed in the north-eastern Bosnian town of Bosanski Samac in 1992. **Agencies, Belgrade**

BURMESE CRACKDOWN

Anniversary marked by calm

The 10th anniversary of Burma's violent crackdown on democracy protesters passed without incident at the weekend as military authorities made conciliatory gestures towards the opposition National League for Democracy. However, Aung San Suu Kyi, opposition leader, promised to "do everything we can" to push the ruling junta to convene parliament later this month.

Residents of Rangoon, the capital, said Saturday's anniversary of events which led to the deaths of thousands of protesters was marked by an eerie quiet as many people stayed indoors. A few small groups gathered at pagodas and other religious sites and some foreign activists dropped leaflets around town, but nothing threatened to provoke any significant disturbances.

In an interview with Britain's Channel Four television, Ms Suu Kyi said she would continue to "assert her rights... to travel anywhere I wish". **Ted Bardacke, Bangkok**

ALGERIAN GAS

Blast hits pipeline

A blast hit an Algerian gas pipeline at the weekend, cutting off the gas flow, the Algerian state-owned oil gas company, Sonatrach, said yesterday. "The blast, followed by a fire... damaged the pipeline over about a 15-metre stretch," it said in a statement. Sonatrach did not say what caused the blast or whether gas exports would be affected. **Reuter, Algiers**

Survivors tell of massacre in Orahovac

Guy Dinmore pieces together a picture of what may be the worst atrocity in Kosovo since the conflict erupted into war

Three weeks ago, a religious sanctuary and surrounding streets in Serbia's southern town of Orahovac were – according to survivors – the scene of a massacre of civilians by police forces.

Many of those who escaped are too terrified to speak of events mired in controversy. Survivors of the Halveti dervish order – a Shia Moslem sect – scattered in all directions from the sanctuary, known as a tekke, joining an exodus of refugees fleeing a government offensive across the province of Kosovo against separatist rebels.

By piecing together the testimony of witnesses, a picture has emerged of what may have been the worst atrocity in Kosovo since the long-simmering conflict erupted into war five months ago. Fighting broke out in Orahovac on July 17. Emboldened by their successes in seizing key roads and villages, fighters of the rural-based Kosovo Liberation Army (KLA) tried for the first time to take over an urban centre.

The town's 20,000 or so people – an ethnic mix of Albanians, Turks, Moslem Slavs and Serbs – sheltered in their basements.

"On July 20 we ran from our houses and took shelter in the tekke. There were 800 to 1,000 of us, mostly women and children," recounted one Albanian man too scared of reprisals to give his name.

The leader of the Halveti sect in Orahovac, founded some 300 years ago, was Sheh Muhedin, a cleric in his 80s revered as a saint. Baba or "father" Sheh, as he was known, was not a KLA supporter and had tried to preserve the peace in Orahovac by negotiating with the town's Serb mayor.

Baba Sheh told the terrified throng of people at around 11am that police had threatened to enter the tekke if they did not leave. His grandson Fatmir and another man agreed to lead them out. "We thought God would protect us in the tekke but Baba Sheh asked us to leave and we believed in his sacred words," the survivor explained.

"We started moving towards the centre of the town to the [Sunni] mosque. We saw two armoured personnel carriers of the police. Fatmir went first with another man, their hands raised in the air and asked them not to shoot. But one policeman started to shoot in the air and the crowd turned and fled. The firing went on and at least 15 people were killed at that moment. There were only 50 to 60 men in the crowd and the police targeted them," he said.

The side of the town's main square close to the tekke is riddled with bullet holes. A nearby Sunni mosque is also heavily damaged.

The crowd divided. One group ran back towards the tekke. A second group reached a factory called Spektri H on the northern edge of Orahovac, where more police opened fire.

Finally they reached the village of Drenoc and were joined by other survivors, about 250 in all. They melted into the woods and hills.

Another man described how the next day he returned to the tekke in search of missing relatives. He said he saw two bodies in the courtyard, the caretaker and an old woman. By the main building there was a large man lying on his stomach. He turned him over: it was Baba Sheh. In one hand he held several keys. He was shot in the back.

The grandson Fatmir told reporters he had heard the shots that killed Baba Sheh. He was told by other witnesses that police demanded that the old cleric open the wooden lodge where he held religious audiences and, when he turned to do so, a man dressed in black shot him dead with a pistol.

How many people died over those three days has not been confirmed. Killings occurred across the town, in gardens and homes. Fatmir told journalists that over 200 people died but was too scared to give a full account. A source close to western investigators said the Halveti community had a list of 215 people believed killed, including children. It has not been made public.

Residents say that on July 21 police and local people cleared the streets of bodies, loading them on trailers for burial. About a dozen were sent to the nearby town of Prizren for burial.

Rumours spread of the massacre and the existence of mass graves. Diplomats were initially sceptical and played down the sketchy reports that could not be substantiated – at the same time as western governments were ignoring the widening Serbian offensive that was destroying the KLA and its dream, unpopular in western capitals, of independence for the Kosovo Albanian majority.

Colonel Bozidar Filic, police spokesman on an escorted tour of Orahovac, insisted that a total of 58 Albanians had been killed. All were "terrorists" who died in combat. He said 40 of them had been buried individually and properly in the presence of a judge next to the Moslem cemetery. Local people say graves are scattered around the town. Reporters wandering near a vineyard found a pile of earth capped by stones and two smaller mounds. Farmers said a woman and her two children were buried there.

"The rumours about mass graves is a product of Albanian terrorist leaders to distract attention from their heavy defeats," Col Filic said. He demanded why no one asked about the fate of the town's Serb population, saying five had been killed and 58 were missing. Kosovo Albanian sources believe the KLA executed some prisoners in retaliation.

Reacting to such reports of atrocities, the wanton destruction of villages and the flight of an estimated 230,000 refugees over the past five months, Richard Holbrooke, the US envoy, warned last week that Yugoslav President Slobodan Milosevic had increased dramatically the possibility of western military intervention. Nato exercises are to be held in neighbouring Albania next week.

Robin Cook, British foreign secretary, said: "If there is any truth in these horrifying accounts [of mass graves in Orahovac] we must have a firm and united international response."

Kosovo Albanians believe US investigators have compiled evidence of what happened in Orahovac and fear there is a cover-up. The US and its divided European allies warned Mr Milosevic of possible Nato action two months ago but did nothing.

Three years ago the slaughter of several thousand Bosnian Moslems by Serb forces in the Bosnian town of Srebrenica finally provoked Nato into launching bombing raids that quickly ended Bosnia's civil war. Western diplomats doubt that history will be repeated in Kosovo.

Serb policemen patrol the hills near the village of Lausha, which was a KLA stronghold Reuters

Greece upgrades bank controls

By Kerin Hope

Greece's central bank has announced long-awaited reforms aimed at upgrading internal controls at the country's commercial banks, many of which lack effective systems of risk management.

The Bank of Greece is trying to speed modernisation of the banking system ahead of the euro's launch. Although Greece is not expected to adopt the single currency until 2001, the sector will become exposed to competition from banks in the euro-zone next January.

Commercial banks with assets of more than Dr300bn ($1bn) are required to set up a risk management unit by the end of this year and to introduce regular internal audits. "We want to ensure that all banks under our supervision have adequate internal control systems which can help improve operational efficiency, safety and transparency," said Loukas Papademos, central bank governor.

About 15 leading Greek banks will be affected, including several state-controlled banks which have resisted pressure to improve credit controls and have acquired a large portfolio of doubtful loans.

The reforms are expected to force more banks to adopt international accounting standards in order to meet detailed reporting requirements on their financial position. Only a few Greek banks choose audits by international accounting firms in preference to less rigorous local procedures. The timing of the central bank measures is also related to a wave of consolidation in the banking sector, following the Socialist government's decision to sell several small state-controlled banks under its fast-track privatisation programme. Five banks have changed hands this year as a group of private Greek banks compete aggressively to build market share.

FRANCE TELECOM DOWNTURN IN CALLS

Plan to cut phoneboxes sparks anger

By David Owen in Paris

A row over public telephone boxes is disturbing France's summer slumbers.

Touched off by an internal France Telecom letter outlining ways to respond to a quicker-than-expected downturn in telephone box traffic, the apparently parochial affair has revealed many of the tensions underlying the country's often reluctant embrace of Anglo-American-style capitalism.

It also gives an insight into France's strong-rooted public service ethic and the extent of the powers of local officials.

The letter from Jean-François Pontal, executive director of France Telecom's general public branch, said phonebox traffic had been falling since the start of the year, "in contrast to the forecast of 5 per cent growth which served as the basis of the establishment of the 1998 budget".

The downturn had come "earlier and more brutally than expected", but was not a surprise in the medium term, given the growing popularity of mobile phones, which, after a slow start, were now used by more than 13 per cent of the French population.

Increased use is also being made of call-cards issued by alternative operators which have entered the market since full liberalisation at the start of the year.

Under these circumstances, Mr Pontal said, it was advisable to "radically change the way the activity is piloted to maintain the expected level of operating profit". He called for an urgent plan, including a cut in investments, the divestment of some of the sites running the biggest deficits, and a reduction in staffing levels.

What in some countries might appear a fairly routine case of adjustment to reduced demand has triggered a strong reaction from the trade unions into whose hands the letter fell.

"Once again the logic of financial profitability is prevailing, to the detriment of public service and users' interests," trumpeted the pro-Communist CGT in a recent press release.

"Phoneboxes in sufficient number, in all villages, are an essential element in guaranteeing coherent planning and fighting exclusion. In this way, the opening of France Telecom's capital... is placing a question mark over the concept of public service which cannot accommodate the current financial logic.

The affair gives an insight into France's strong-rooted public service ethic

"The government's announcement of the sale of a new tranche of France Telecom's capital can only accentuate the harmful effects of these trends for the company's employees and the great majority of its users," it said.

France Telecom is now pouring oil on troubled waters, insisting that no "revolution" is on the cards and that the overall number of phoneboxes – 226,000 at the end of last year – is rising and will continue to do so.

The affair has also put the spotlight on some interesting aspects of the law governing phoneboxes.

All communes of fewer than 1,000 inhabitants must have at least one. Any reduction of the number of phoneboxes in communes of fewer than 2,000 inhabitants requires the consent of the local mayor.

WORLD BANK ECONOMIC REPORT *HIGH PUBLIC SECTOR DEFICIT MAY ENDANGER STABILITY AND CURTAIL GROWTH*

India warned of deficit danger

By Amy Louise Kazmin in New Delhi

The World Bank has warned India that its high public sector deficit is threatening the country's macroeconomic stability and acting as a drag on growth.

In its annual report on India's economy, published in New Delhi, the World Bank said India urgently needs to cut subsidies and broaden its tax base "to reduce the risk of macroeconomic instability" and increase resources for rapid, private-sector led growth.

"High fiscal deficits absorb funding from the private sector, threaten macro-stability and hinder financial sector reform," the report says.

During the last fiscal year, India's central government deficit was about 6 per cent of gross domestic product, one of the largest in the world. Though the budget announced by Yashwant Sinha, finance minister, in June projected a deficit of 5.6 per cent of GDP, the bank says that subsequent adjustments, including a rollback in a proposed import tariff, will reduce projected revenues by 0.2 per cent of GDP, leaving the deficit at 5.8 per cent.

The report also says India's states are in an "increasingly unsustainable position" due to their excessive subsidies on items such as power to farmers, and this "increasingly" threatens the provision of the social and physical infrastructure needed for development.

In the last seven years, spending by states on social infrastructure has dropped by 0.4 per cent of GDP. The report urges India to eliminate non-merit subsidies, realign public spending towards such core public sector activities as mass education and health, rural roads and urban infrastructure, leaving other areas to the private sector within a competitive and sound regulatory framework.

It also calls on New Delhi to proceed with privatisation and reduce trade barriers. After growing an average of 7 per cent for three years, India's GDP saw its growth slowing to 5 per cent in 1997-98. The report blames this on the slowdown in the pace of liberalisation since 1993.

While India's initial liberalisation between 1991-93 triggered a growth spurt through "improvements in resource allocation and reduction in costs", the bank suggests that benefits from the initial reforms have now been exhausted and further improvements will only come with further liberalisation of both internal and external markets.

While India's external position was comfortable in the last year, the bank warns of growing pressure on balance of payments. In 1997-98, the current account deficit rose to an estimated $5.2bn, or 1.6 per cent of GDP, up from $4.4bn or 1.2 per cent of GDP, in 1996-97. The bank projects that the current account deficit will rise further to 2.5 per cent of GDP by 1999-2000.

The bank says India's foreign exchange reserves, which were $26.3bn at the end of March 1998, will fall to $22.6bn in the current fiscal year.

Chinese floods force 14m to flee homes

By James Harding in Beijing

China yesterday took its most aggressive steps so far to ease the threat of flooding in the industrial city of Wuhan, blowing up dikes upstream on the Yangtze river in order to protect the city's 7m inhabitants.

The decision to destroy secondary dikes, and inundate an area that was home to about 50,000 people, is the latest of China's increasingly desperate efforts to cope with the worst seasonal flooding in more than 40 years.

Torrential summer rains have raised the water level on the Yangtze to its highest mark since 1954, when floods killed 30,000 people and affected the lives of 30m.

As the water has seeped through river walls and over the banks of connecting waterways, more than 2,000 people have already died in this year's flooding and 13.8m people have been forced to leave their homes.

More than 2m people, including large numbers of military personnel as well as civilians, are now involved in the efforts to reinforce the dikes along the Yangtze.

The crisis is drawing increasing participation from international aid organisations as well as pledges of bilateral assistance. Over the weekend, a number of international leaders conveyed their condolences to President Jiang Zemin.

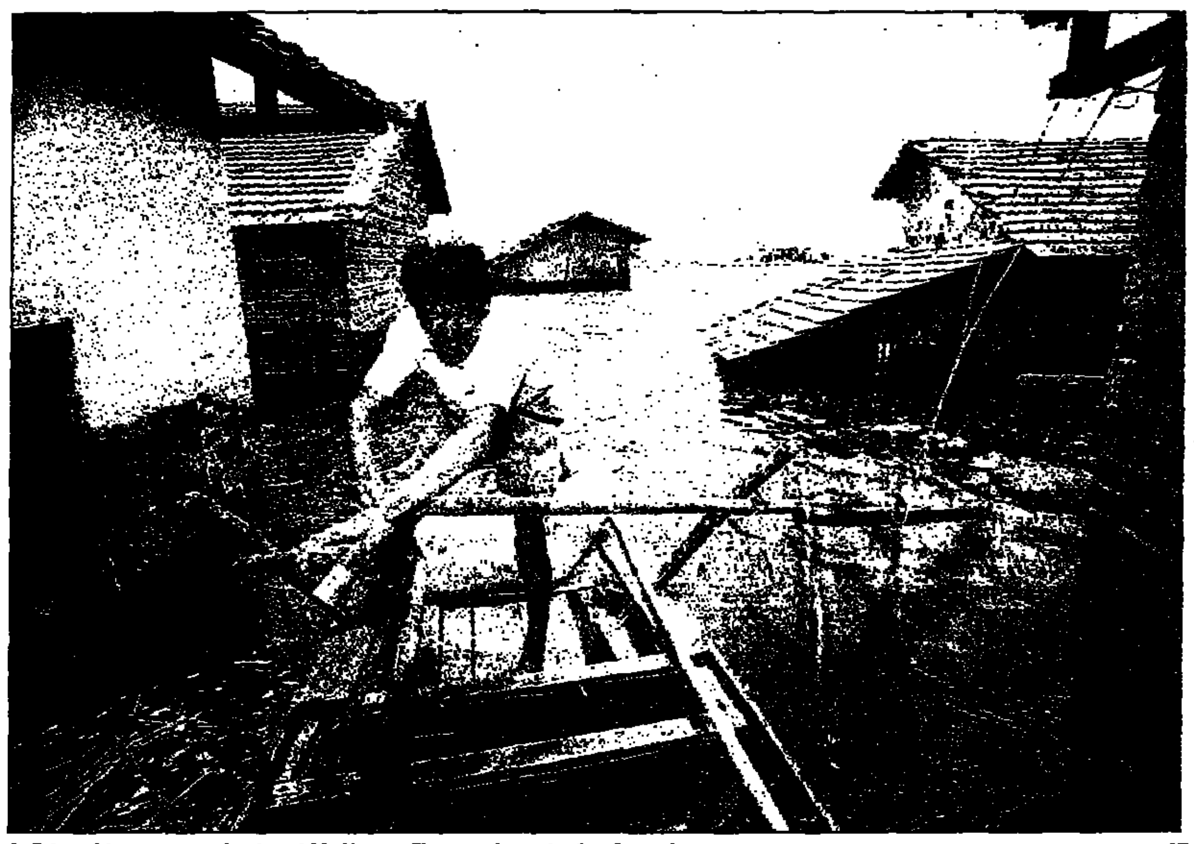
The US is expected to deliver a shipment of humanitarian relief equipment in central China today. Flood prevention officials yesterday hoped the destruction of the dikes would divert 800m cubic metres of water and lower the level of the river by more than 10cm, reducing the threat of flooding in Wuhan.

More than half a million people have already been relocated in central China in case the government decides that more substantial dikes need to be destroyed and larger areas must be inundated in order to spare Wuhan and the communities on the lower reaches of the Yangtze.

However, in some areas, the official Xinhua news agency reported, Chinese officials were unable to destroy dikes over the weekend "because some local villagers were reluctant to move". The flooding also looks likely to act as a further drag on China's already slowing economy, damaging agricultural production as well as output along the Yangtze valley. According to official estimates, the lives of more than 240m people have been affected by this year's flooding and summer storms.

The economic damage from the flooding is already estimated to be well in excess of $5bn and economists suggest that it will prove a further obstacle to China's achieving its 8 per cent growth target for 1998.

There are also growing concerns about the threat of epidemic illnesses in areas that have now been inundated for several weeks.



A distraught man rows a boat past his Hunan village, under water for six weeks AP

China's prospects	Fast reform		Slow reform	
	1996-2000	2001-2010	1996-2000	2001-2010
GDP (Average annual % rise*)	7.7%	7.4%	7.8%	5.3%
GDP per capita ($)**	$1,080	$2,533	$1,089	$1,536
Unemployment (% of workforce)**	5.5%	4.8%	2.7%	3.0%
Current account payments ($bn)**	28.55	−112.92	124.91	−98.46
Inflation (Retail price index rise in final year of period)	9.0%	7.9%	8.8%	9.4%

Source: EIU * In real terms ** at end of period.

China faces quandary over speed of reform

By Peter Montagnon, Asia Editor, in London

China's economic growth rate would be little affected in the short term if the country slows the pace of economic reform now, but it would lag badly in the first decade of the next century, leaving the economy expanding well below the level needed to provide the higher living standards for which the government is hoping.

This is the main conclusion of a study by the Economist Intelligence Unit (EIU), which looks at the medium-term consequences of the policy options facing the Chinese authorities.

If China keeps reform on a fast track, restructures its state enterprises and banking system, allows a market-oriented monetary policy and joins the World Trade Organisation, its growth will average 7.4 per cent between 2001 and 2010.

But if reform slows, bank lending continues to be subject to policy directive and public sector investment is diverted to cover the losses of state enterprises, growth will average only 5.3 per cent after the millennium, according to the report.

The result would be a marked difference in living standards, the EIU says.

Under the fast-track scenario, per capita gross domestic product period would be just over $10,000 on a purchasing power parity basis by 2010, roughly equivalent to the Czech Republic in 1995. On a slow track it would be only $4,600, less than that of Mexico in 1995.

The choices facing the Chinese authorities are agonising, the report suggests, largely because a fast reform track would see unemployment triple to 40m by the end of the century, adding enormously to social and political pressures.

Street demonstrations are already becoming more frequent and disparity between different regions has increased, the EIU says. It expects China to opt for a slower growth track, a forecast lent weight by recent announcements watering down individual reforms.

The fast growth track would also mean sharply higher unemployment in the longer term as migration from the countryside to the cities picked up at a time when the labour force is set to expand rapidly.

Under more cautious reform the number of jobs lost through enterprise rationalisation, and a reduced bureaucracy would be smaller. Unemployment would be 3 per cent of the workforce in 2010, compared with 4.8 per cent under the fast reform scenario, but it would still be rising and the wages of those in work would be lower. Adding other factors to the equation, such as the impact on the balance of payments and the need to spread wealth evenly through the country, makes the policy choices appear even harder, the report suggests.

Faster reform would leave China more dependent on foreign capital in the longer run. With a balance of payments deficit of 3.2 per cent of gross domestic product and large debt repayment obligations, it would face "a sizeable funding challenge" by 2010. By contrast, a slow reform track could increase the disparity between the rich coastal provinces and the poorer inland ones in the long run because the coastal provinces would initiate some reforms themselves, which would reduce the grip of central government.

A fast reform path would boost growth but may triple jobless to 40m by end 1999

The report sets the decisions facing the Chinese authorities in the context of uncertainty over the longer term future of the ruling Chinese Communist party (CCP).

The party is not likely to face direct challenge to its rule before 2010, it says, but "the tectonic changes that result from the creation of a more complicated and open social and economic system will be working to undermine the CCP's political monopoly. Many of the younger leadership are aware of this," it says.

There is a possibility that factional struggles may break out as the current generation of political leaders nears retirement. This could also slow or paralyse reform.

China to 2010 by Georgina Wilde, pp124, available from Economist Intelligence Unit, +44(0)171 830 1007, price £385/$625

Cardoso agrees extensive labour reforms

By Geoff Dyer in São Paulo

The Brazilian government has announced an extensive reform of the country's labour laws in an attempt to halt rising unemployment, an increasingly important issue in the campaign for general elections in October.

The package is designed to introduce greater flexibility into working contracts and includes measures to encourage employers to make more use of part-time employment.

Fernando Henrique Cardoso, Brazil's president, described the changes as a historic shift away from the 1930s-style corporatism of existing labour relations.

Brazil's labour legislation was part of a set of "ideas inspired by the fascism of Mussolini", he said.

According to the official statistics, unemployment has risen from 5.9 per cent last October to 7.9 per cent, in part because of the slowdown in the economy caused by the Asian crisis.

A research institute financed by trade unions estimates that the actual number of people out of work is at least twice as high.

The presidential candidate of the leftwing opposition, Luiz Inácio Lula da Silva, who has promised to create 15m new jobs in four years if elected, described the government's proposals as "pillaging the Brazilian worker".

The government has established a part-time work contract of 25 hours a week, in an attempt to eliminate the legal uncertainties surrounding this area of employment.

Mr Edward Amadeo, the labour minister, said the measure was aimed specifically at women and young people, the two parts of the working population which were growing fastest.

Other measures include increasing the period that employees can be temporarily laid-off to six months and extending the period during which employers can compensate for compulsory overtime.

The government has also suggested a number of further reforms, including reducing the fines for minor breaches of labour law, the abolition of compulsory contributions to unions and allowing workers to join the union of their choice. Mr Amadeo also announced increased incentives for youth training.

Fiesp, the powerful São Paulo employers' federation, said the measures would have some impact on the unemployment level. However the only real solution to the problem was to achieve annual economic growth rates of around 6 per cent a year.

The Workers' Confederation (CUT), the largest trade union organisation, said the measures would not generate jobs, but would reduce the rights enjoyed by workers.

The confederation warned that employers might use the new rules to force current full-time staff into part-time contracts.

INTERNET RUN ON SUGAR, FLOUR AND RICE AFTER REPORT OF RACIAL UNREST FOLLOWING INDONESIAN ANGER

Malaysian race rumours spark fears

By Sheila McNulty in Kuala Lumpur

Rumours on the internet of a resurgence of racial unrest in Malaysia sparked a week-end run on sugar, flour and rice. Some businesses also sent workers home and closed early.

Abdul Rahim Noor, inspector-general of police, dismissed the reports as speculation and rumour but expressed surprise at the extent of the panic.

"This clearly shows that the racial clashes in 1969 are still lingering in people's minds, he said."

The 1969 street clashes pitted the ethnic Malays, a majority but historically poorer, against the large Chinese minority, which holds much of the wealth. They prompted a race-based economic policy which since then has sought to give Malays economic parity.

But the recent economic crisis has undermined these efforts.

Both ethnic groups are struggling to pay debts and keep businesses running. In addition, in an effort to help revive the economy, which is expected to contract more than 5 per cent this year, the authorities have rolled back Malay equity quotas, the cornerstone of the race-based policy.

Many suspect the rumours were aimed at foiling the government decision not to extend work permits for many foreigners when they expire on August 15.

The majority of Malaysia's 2m foreign workers are Indonesians.

In the run-up to the deadline, the capital has been rife with rumours that Indonesians had stocked up on machetes and planned to incite riots to keep from being repatriated.

Tensions between Indonesians and Malaysians have been high since the regional financial crisis resulted in an influx of illegal Indonesian immigrants seeking work.

Malaysia does not have enough jobs for them and has been deporting them by the thousands.

Several months ago immigrants in a deportation camp attacked Malaysian police with swords carved from fence posts and barbed-wire-covered spears to protest against deportation, provoking a confrontation in which one corporal was killed, 27 policemen were injured, and eight immigrants died.

While some suspect the authorities will relent for fear of a second flare-up so close to the September 11-21 Commonwealth Games, the authorities maintain they will proceed with deportations. Malaysian forces have been in evidence on the streets of the capital to prevent Indonesians attempting to incite riots by pitting Malaysians against one another.

On Friday users were unable to log on to Jaring, the Malaysian internet service provider, for much of the day.

Many suspected the authorities had blocked access to limit the spread of the rumours, but that could not be confirmed.

Mahathir Mohamad, the Malaysian prime minister, warned such rumours would persist: "This will happen more often, of course, because there are irresponsible people who will deliberately incite unrest in Malaysia and cause problems."

Mexican opposition takes aim at country's crony capitalism

Henry Tricks explains why the long love affair between government and big business is coming under fire during the political battle over the country's $65bn bank bailout

In the raging debate over the $65bn cost of Mexico's bank bailout, the opposition is taking aim at one of the most exposed flanks of Mexico's political system: the long love affair between government and big business.

During almost seven decades in power, the ruling Institutional Revolutionary party (PRI) has cultivated ties with the business elite and stonewalled opposition-led corruption probes.

Last year, opposition parties won their first ever majority in the Lower House of Congress and the moment President Ernesto Zedillo sent them a financial reform package in March that included asking taxpayers to shoulder the cost of a three-year rescue of the banking system, they scented blood.

With their eye on presidential elections in 2000, the two main opposition parties have blocked Mr Zedillo's proposals, demanding accountability for the rescue effort, whose estimated cost is 14.5 per cent of gross domestic product. But the government has refused to release to legislators the names of those whose debts it proposes consolidating on its books.

Partly as a result, the debate has fanned the popular perception of "crony capitalism" in the upper echelons of Mexico's political system: that the government helps its corporate friends while big business acts as a cheque-writing machine during political campaigns.

"I think it is a knife to open wide this long association between government and business," says Rogelio Ramírez de la O, an economic consultant.

Reading the political winds, the leftwing Party of the Democratic Revolution (PRD) issued a list last week of some well-known business names whose debts it said had been transferred from the banks after Mexico's 1995 economic crisis to an emergency deposit insurance vehicle known as Fobaproa.

The two main opposition parties have blocked Mr Zedillo's reform proposals

Business groups said the revelations were riddled with inaccuracies and even the PRD admitted there was no evidence to suggest any wrongdoing had taken place.

But the unrepentant PRD promises this week to reveal more names, including government and PRI officials it also wants to tar with the Fobaproa brush.

"The bottom line is that big business and government officials reached an agreement at the highest levels to pass their losses onto taxpayers," said Dolores Padierna, a PRD deputy.

On August 30, the PRD plans a plebiscite asking Mexicans for their verdict on the cost of the bailout.

"It's like asking people whether they prefer lower or higher taxes. The answer's obvious," an analyst said.

But José Angel Gurría, the finance minister, defends the rescue, saying Mexico had no option but to pass on bank loans to Fobaproa, which guarantees 100 per cent of deposits. He said 14 of 19 banks that existed before the crisis ended under different ownership.

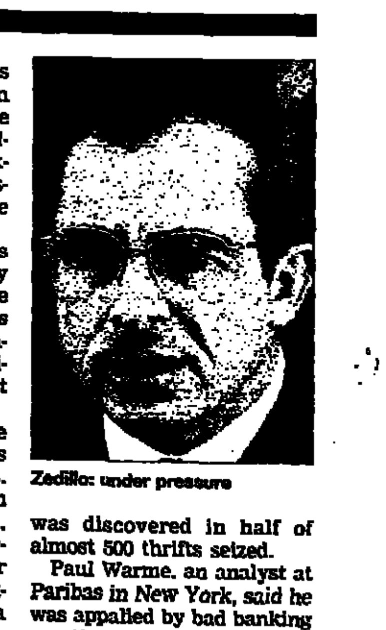
"The aim of Fobaproa was never to rescue businessmen or bankers. It was to ensure there was no generalised collapse of the Mexican banking system, to protect depositors and to protect the economy," he said.

The finance ministry says that because of bank secrecy laws it can only provide the names of Fobaproa debtors to a finance oversight committee in Congress or to private auditors who will not divulge them.

Mr Gurría said there were criminal investigations against 40 bank officials. Last week, in collaboration with Mexican authorities, Swiss police arrested Gerardo De Prevoisin, former head of the airline Aeroméxico, wanted in Mexico for a $57m alleged fraud. The airline also has debts held by Fobaproa.

Mr De Prevoisin once told a US court Aeroméxico paid $8m to the PRI for the 1994 presidential elections as a condition of doing business.

Analysts suspect the government has barely scratched the surface in hunting out misconduct. Some point to the US bail-out of its Savings and Loans institutions in the 1980s, in which criminal misconduct was discovered in half of almost 500 thrifts seized.



Zedillo: under pressure

Paul Warme, an analyst at Paribas in New York, said he was appalled by bad banking practices overlooked by Fobaproa, when he was working on the clean-up of Inverlat, a Mexican bank bought by Canada's Bank of Nova Scotia. He said banks would only be hit by a part of the losses on loans transferred to Fobaproa, which makes collection efforts sloppier.

"There's an inherent conflict in the collection of these loans because of the cosy relationships between the banks and the businessmen," he said.

CABLE AND SATELLITE TV CHANNEL CONTROLLED BY UNIVERSAL STUDIOS TO JOIN MOVE FOR JUDICIAL REVIEW

Regulator set to face court action

By Cathy Newman

The Independent Television Commission, the television watchdog, is today expected to face legal action from two media companies over changes to the way cable and satellite channels are sold.

Flextech, the UK pay television group, and the Sci-Fi Channel Europe, a channel controlled by Universal Studios, the Hollywood studio, will file for a judicial review against the ITC.

The companies are understood to argue in papers expected to be lodged at the High Court this afternoon that the ITC acted illegally in outlawing deals under which customers had to subscribe to large numbers of channels.

Under previous rules, programme makers had guarantees from cable and satellite broadcasters that their programmes would be carried to at least 80 per cent of subscribers, often as part of a big package of channels. But at the end of June, the ITC ordered television groups to renegotiate these agreements.

Flextech is believed to have asked the ITC for more details about the kind of contracts that would be permitted in future. However, it is thought the company decided to launch legal action after it failed to get clarification from the watchdog.

Universal and Flextech, which owns channels such as Living and Bravo, yesterday declined to comment.

The ITC said yesterday: "We are confident we have come to the correct decision which is within our remit and powers."

The watchdog proposed the changes to so-called "minimum carriage requirements" after cable operators showed more people subscribed to pay television if they were offered smaller packages of channels.

However, programme providers such as Flextech and Universal have argued that, under the terms of the 1996 Broadcasting Act, the ITC remit was to regulate content rather than economic issues.

They have alleged that the ITC has acted illegally by interfering with existing contracts between programmers and cable and satellite operators.

They are also believed to have expressed concern at the short period of time for consultation between April, when the ITC proposed the changes, and the end of June, when they were implemented.

● The *Jerry Springer Show*, the controversial US talk programme, has been attacked by the ITC just a month after broadcasters were warned to curb "victim television". The watchdog ruled that it should not have been shown before 9pm when many children could be watching.

The ITC's comments, to be published today, come after the Broadcasting Standards Commission lambasted the *Jerry Springer Show*, and other confessional programmes.

Senior NHS doctors face cut in merit pay

By Liam Halligan in London

The government will today announce plans to strip senior National Health Service consultants of their right to lucrative bonuses in a radical shake up of pay that will also give patients a say in specialists' salaries.

The proposals, to be announced by Alan Milburn, the health minister, will anger consultants, but are seen by ministers as a necessary measure to appease nursing unions prior to a squeeze on nurses' pay.

In an attempt to slash the annual £104m ($171.6m) for merit awards to senior doctors, Mr Milburn will unveil plans to replace the existing system with a new body to review consultants' performances and decide whether bonuses should be reduced or withdrawn.

Under the current system, once consultants are given a distinction award, which can be worth up to £52,000 annually, they receive it every year until retirement. The government is keen consultants should not see their merit bonus as a right.

The new rules will also give patients' groups some say in which doctors are granted awards, in addition to giving the NHS powers to remove bonuses if consultants are found to perform poorly.

Mr Milburn has ordered that the consultant-dominated Advisory Council on Distinction Awards be replaced by a smaller body with an independent chairman and representatives from patients' groups and NHS employers – a move described by the government as "the most radical modernisation in the pay of consultants for 50 years".

Figures for last September show that 12 per cent of the 25,619 eligible consultants had been given a distinction award.

Fears voiced over N Ireland prisoner release

By John Murray Brown in Dublin

The UK government was yesterday accused by pro-British unionists of encouraging Northern Ireland terrorist groups that have not abandoned violence to declare ceasefires so they can benefit from early release of paramilitary prisoners.

The charge came as the Loyalist Volunteer Force, the only Protestant group not observing a ceasefire, said it was announcing a complete cessation of military operations – apparently in a bid to allow its members to participate in the accelerated release scheme.

Separately, a spokesman for the Irish National Liberation Army – one of three republican groups opposed to the Good Friday peace agreement – said it had revived contacts with British officials, triggering speculation that it may be about to declare a ceasefire.

But ministers remain sceptical of assurances from either group. One official said former INLA members may seek to rejoin the organisation just to benefit from early release.

The government has little leverage over the "Real IRA", which has claimed responsibility for a number of recent terrorist incidents but which, as a new organisation, does not have any members in prison.

Confusion persists over links between the mainstream IRA and breakaway groups. Unionists yesterday expressed dismay that Gerry Adams, leader of Sinn Féin, the political wing of the IRA, failed to declare the "war" was over at this weekend's annual Belfast march to mark the introduction of internment – imprisonment without trial – which has since been abolished.

Mo Mowlam, the UK's chief Northern Ireland minister, and politicians in the Irish Republic say such a statement would help reassure sceptical unionists and bolster David Trimble, the Ulster Unionist leader and first minister in Northern Ireland's new executive.

Firm hand: a protester is led away after disturbances at this weekend's Londonderry parade PA

Mr Adams has rejected such calls, and instead appears to have hardened the conditions for such a declaration, reflecting his need to placate dissidents.

Meanwhile, the last of the summer's sectarian parades this weekend passed off without major incident.

Chris Patten, the former Hong Kong governor, was in Londonderry to monitor the Protestant Apprentice Boys march as head of the commission set up to consider reforms to policing in Northern Ireland.

Despite a brief riot when a policeman fired shots in the air local community leaders on both sides acknowledged the event had passed off relatively peacefully.

NEWS DIGEST

RAILWAY PRIVATISATION

Taxpayers 'lost $1.65bn' in rush to sell companies

Taxpayers lost almost £1bn ($1.65bn) and former managers of British Rail, the former state railway network, became multi-millionaires as a result of the previous government's rush to privatise the railways, according to an influential committee of MPs.

The cross-party House of Commons public accounts committee has said the quick sale of rolling stock leasing companies by the Conservative government – for £900m less than the notional market value – risked "discrediting privatisation as a whole".

The committee's report, published yesterday, said ministers rushed into privatisation without a proper assessment of the true worth of Britain's railways.

While the sale of BR's rolling stock raised £1.8bn, it was sold 10 months later for £2.7bn.

Former BR managers at three rolling stock companies made "windfall gains" of between £15m and £33m, the committee says. **Liam Halligan, London**

'PLOT TO KILL GADAFFI'

Claims dismissed as fantasy

Robin Cook, foreign secretary, yesterday admitted he had investigated allegations of an MI6 plot to kill Colonel Gadaffi, the Libyan leader, in 1996, but dismissed the claims as "pure fantasy".

He was satisfied that his Conservative predecessor, Sir Malcolm Rifkind, had not authorised an assassination attempt, nor was there anything to suggest that MI6 had become involved in such an "escapade".

Mr Cook's statement came as the girlfriend of David Shayler, the former MI5 officer behind the claims, broadcast a statement insisting Mr Shayler's allegations were true. Under British law, MI6 can legally carry out acts abroad which would be outlawed in Britain, providing they are authorised by the foreign secretary. **Liam Halligan, London**

HISTORIC PROPERTIES

Increase in visitors expected

The opening of Sir Paul McCartney's former home in Liverpool in north-west England, and an exhibition of the life of Diana, Princess of Wales, at Althorp in the Midlands, are expected to help increase the number of visitors to England's historic properties this year.

Visits to such attractions were almost flat last year at 71m, a 2 per cent increase on 1996, according to the English Tourist Board.

David Quarmby, chairman of the ETB, stressed the importance of reinvigorating existing properties with new attractions and facilities, such as longer opening to attract more visitors.

The Tower of London, long the most visited of England's historic properties, enjoyed a 3 per cent increase in visitors to more than 2.6m last year.

However Canterbury Cathedral, Windsor Castle and St Paul's Cathedral all experienced a downturn in visitor numbers. There was a 3 per cent rise in visitors to the Roman Baths and Pump Room at Bath, the fifth most-visited property. **Scheherazade Daneshkhu, London**

Car buyers must wait for a tide of 'grey'

Independent traders are fighting a government U-turn that has blocked the prospect of an open market for imported vehicles, says **John Griffiths**

UK prices of new and used cars would start to fall substantially from May 1 this year, wrote Jeff Paterson, editor of Glass's Guide in the April issue of the motor trade "bible". New car prices in the UK were "among the highest in the world", he wrote, but car buyers could look forward to a new era.

On May 1, the Department of Environment, Transport and the Regions would put into effect regulations allowing traders or individuals to import unlimited numbers of cars from anywhere in the world and put them through a Single Vehicle-Type Approval (SVA) test for just £165.

There were pitfalls, of course. Motorists would have to be wary of importing cars without catalytic converters from developing countries. But, in most cases, minor changes would make them suitable for UK roads.

Combined with revisions to European single market regulations, which require cars made and sold through normal franchised channels to have European Union Whole Vehicle Type Approval valid for all member states, "the new rules will mean that, from May 1, Britain will no longer be a closed market for imported cars", said the Glass's editorial.

But Glass's was wrong. In the run-up to May 1, Gavin Strang, the then transport minister, performed a U-turn on a key clause of the SVA regulations. He kept in place a limit of 50 cars of any particular model that could be brought in under the SVA regulations each year.

At a stroke, independent traders' hopes of creating a large, thriving and legitimate trade in unofficial "grey" imports were dashed.

The SVA rules were first introduced under the former Conservative government in 1996. They were designed to help specialist UK carmakers that were unable to afford the crash testing needed for full Vehicle Type Approval and were therefore obliged to sell their cars as kits.

Independent traders saw the rules as a loophole that would allow them to import cars cheaply into the UK. Consumers would be able to buy imported models for up to one-third below manufacturers' "official" prices.

Until then, car imports lacking full Vehicle Type Approval had been banned, the only exception being personal imports by individuals who had owned and driven the cars overseas.

These personal import regulations lie behind the surge in the number of "grey" cars being imported from the Irish Republic, where import rules are much more relaxed.

Bought mainly in Japan by independent traders, and sold on to UK buyers driving them briefly on Irish roads, such cars account for almost a third of the expected total of 60,000 new and used cars registered this year but not sold through "official" UK dealer networks.

About 30,000 more of these are accounted for by so-called "parallel" imports, mainly by individuals exercising their right under EU rules to buy cars with full EU-wide Vehicle Type Approval in the EU country of their choice.

The remaining 10,000 "grey" imports are brought in under some more specialised types of regulation, such as certificates of conformity, or under SVA rules. According to the 70-member British Independent Motor Traders' Association, the 50 limit rule means a maximum of 4,000-5,000 cars can be imported under SVA.

The speed with which independent traders have taken action in the High Court to have the SVA's numerical restrictions lifted is a measure of their determination.

The High Court is expected to respond to the action in the next few days.

The traders also say the EU directorates charged with enforcing EU competition rules have been persuaded of their claim that the SVA rules infringe EU rules on the free movement of goods.

Manufacturers and franchised dealers are equally determined to see the status quo retained. The independent traders are already under fierce attack from companies such as Toyota, Subaru and Mitsubishi insisting that safety, emissions and other complications arising from the "grey" imports of such cars are much greater than the independents claim.

TAXATION TRUCK COMPANIES COULD MOVE TO MAINLAND EUROPE TO AVOID INCREASE

Hauliers warn against duty rise

By David Wighton in London

Thousands of Britain's road haulage companies could relocate to mainland Europe to avoid proposed tax increases, the Road Haulage Association warned last night.

The industry body said it would advise members to move their domicile across the English Channel if the government went ahead with a planned rise in vehicle excise duty.

Steven Norris, director-general of the association, said the government was planning to double the duty, which would "destroy the competitiveness" of the UK haulage industry.

"If this occurs, then this association will have no option but to advise our members to relocate their businesses outside the UK," he said.

The threat follows the government's publication of its policy paper on transport, which proposed reviewing duty rates for trucks to reflect the environmental damage they cause.

Mr Norris said French hauliers paid about £500 ($825) a year in duty compared to £3,000 a year for their UK counterparts. According to industry estimates, the rate for 40-tonne vehicles could at least double if the policy proposals go ahead.

But the government insisted yesterday that any excise duty figure was pure speculation and would only be decided after further consultation with the industry.

The association has taken preliminary legal advice about the feasibility of UK hauliers re-registering or "flagging out" their operations to other European countries, following the trend of merchant shipping.

The advice suggests such a move overseas would be possible if companies set up some sort of operating centre in the new country and their vehicles visited it up to six times a year.

Mr Norris, who was a transport minister in the previous Conservative government, has written to Peter Mandelson, the chief trade and industry minister, warning of the risk that some of the haulage industry could migrate. He pointed out that UK duty rates were already up to six times higher than in main European rivals.

Some of the proposals put forward for the policy paper were watered down by the government, which was worried it would appear to be anti-car.

But the haulage industry believes it is bearing a disproportionate cost of government efforts to improve public transport and protect the environment.

In June, British hauliers were already protesting at the existing level of duty and at increases in taxation on diesel fuel as a result of the automatic uprating above the rate of inflation now built into each Budget.

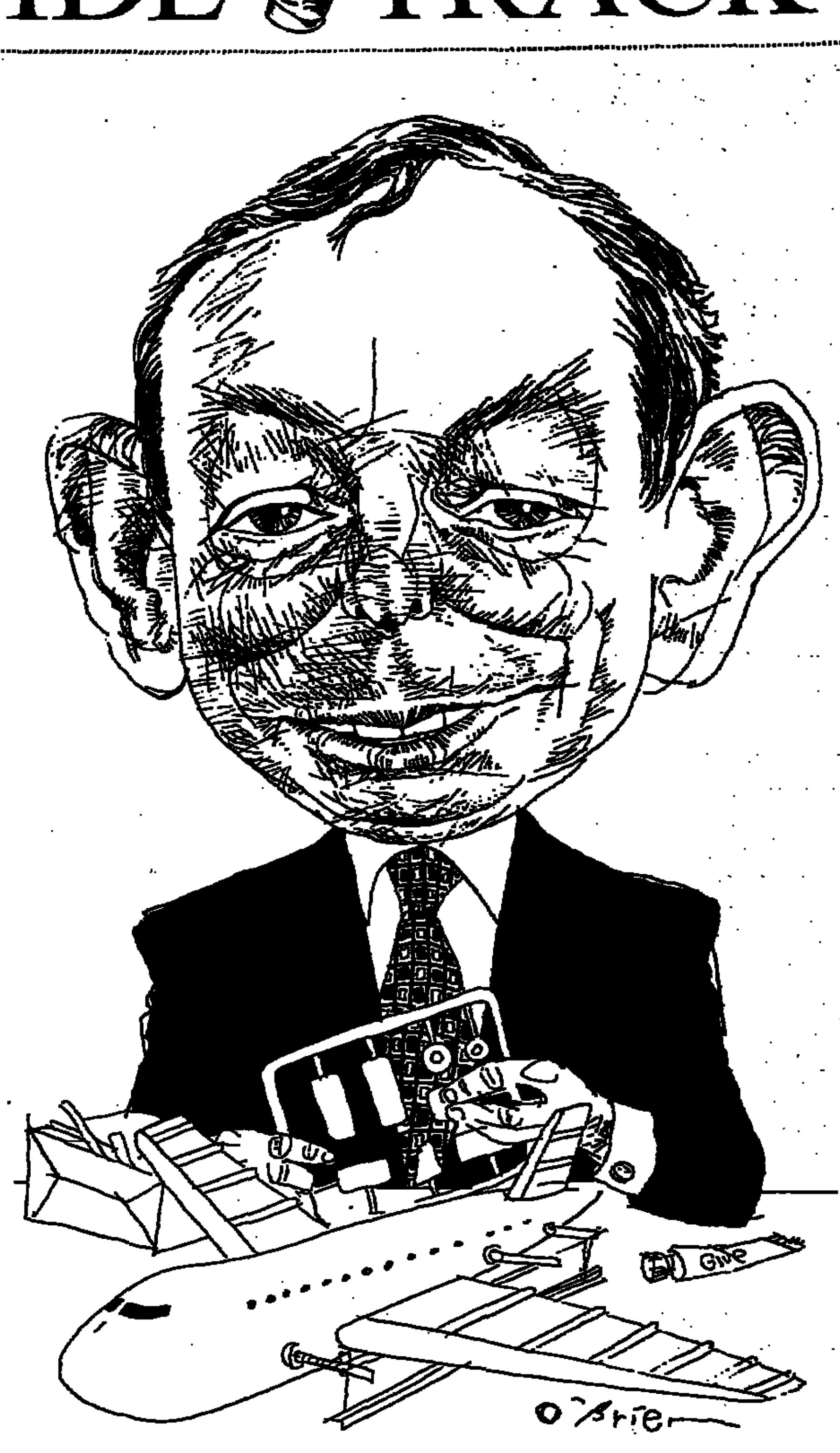
The industry was particularly incensed that Gordon Brown, chancellor of the exchequer, brought forward this year's increase, imposing three rises within two years at a cost to vehicle users of an extra £1bn.

INSIDE TRACK

PROFILE: NOEL FORGEARD, AIRBUS MANAGING DIRECTOR

Bureaucrat who wants to make four go into one

Michael Skapinker on the French civil servant aiming to turn a cosy partnership into a single business exposed to the rigours of the stock market



Whatever else Noël Forgeard does as managing director of Airbus Industrie, he is unlikely to drop his trousers during negotiations.

That was a ploy once used by Jean Pierson, Mr Forgeard's predecessor, to demonstrate to an airline customer that he could offer no more price discounts. "I have nothing more to give you," Mr Pierson growled.

Mr Forgeard, 51, who became head of the world's second biggest aircraft maker in April, is a strikingly different personality from Mr Pierson.

The bear-like, rugby-loving Mr Pierson used to startle lunch guests in the vast, mirrored dining room at Airbus's Toulouse headquarters by pulling his jacket off and hurling it on to a distant chair. He would then sit down, tuck his tie into his shirt and slap his ever-present packet of Gitanes on to the table beside him.

Whether at lunch, or at international air shows, Mr Pierson was a master of invective, usually, but not always, directed at Boeing, Airbus's larger US rival.

At the Paris air show last year, Mr Pierson stunned the industry by accusing McDonnell Douglas of deliberately losing a vital US government defence contest to facilitate its takeover by Boeing.

By contrast, the courteous, bird-like Mr Forgeard has so far shunned the limelight. He is giving no interviews until the UK's Farnborough air show next month. Associates report that he keeps his jacket on during lunch, does not smoke and prefers soccer to rugby.

But while his style might be different, Mr Forgeard's strategy is expected to be almost identical to Mr Pierson's.

Mr Pierson was determined to build a 550-seat "super jumbo", provisionally called the A3XX, to challenge Boeing's dominance of the large jet market, which it maintains through its 400-seat 747. While Boeing says it sees no evidence airlines want a 550-seater, Mr Forgeard is expected to press ahead with plans to build one.

Above all, both Mr Pierson and Mr Forgeard believe the structure that has served Airbus since its creation in 1970 has had its day. Airbus is a *Groupement d'Intérêt Economique*, which means it publishes no accounts and makes no profits or losses in its own right.

These accrue to its owners – Aerospatiale of France and Daimler-Benz Aerospace (Dasa) of Germany, which each own 37.9 per cent, British Aerospace, which has 20 per cent, and Casa of Spain, which accounts for 4.2 per cent.

The GIE structure helped four disparate European manufacturers survive and prosper in the world aircraft industry. Airbus has regularly won more than a third of the international market for commercial aircraft in recent years, forcing McDonnell Douglas out of the business.

Hopes of declaring Airbus a single company by the beginning of next year have faded; the second half of 1999 looks more probable

In 1994, Airbus won more orders than Boeing – the first time the US group had lost the top slot since the advent of the jet age. Last year, Airbus took 42 per cent of the market.

In the first half of 1998, it again won more orders than Boeing.

In spite of this success, Mr Pierson concluded that the GIE structure should be scrapped. Its principal drawback is that Airbus managers have no idea of the consortium's manufacturing costs.

The four partners agree a price for making aircraft components but do not tell Airbus, or each other, what it costs them to do so. The four might be producing the components at a loss – or at a vast profit.

Mr Pierson argued that if Airbus was to price its aircraft competitively, it needed to know what its costs were so that it could cut them where possible – even if that meant closing factories and laying off staff. As a single company, Airbus would also be able to demand lower prices from suppliers; at present the four partners make their purchases separately.

BAe and Dasa, both privately owned, were quick to concur. Aerospatiale and Casa, which are state-controlled, took longer. But eventually all four agreed to turn Airbus into a single company by next year.

The process is, however, taking longer than expected. The companies have not yet agreed how much their respective factories and research facilities – which will become part of the new Airbus – are worth.

Hopes of declaring Airbus a single company by the beginning of next year have faded; the second half of 1999 looks more probable.

Mr Forgeard, in spite of his low-key manner, is likely to be even more determined than Mr Pierson to make sure the change happens.

He expects to have the time to do so. Friends say he wants to serve two five-year terms.

Not only does Mr Forgeard want Airbus to become a limited company; colleagues say he wants some of its equity to be floated too, even if the four partners retain a controlling stake. He wants Airbus to prove its worth to shareholders in the public arena of the world's stock markets.

At first sight, Mr Forgeard's attachment to shareholder value might seem curious. His curriculum vitae (see panel) is that of the quintessential French *fonctionnaire*, with years of government service behind him.

But there are two keys to his attachment to the market. The first is the 11-year spell he spent in senior management at Lagardère, the privately owned French publishing to missiles group, and its Matra defence and electronics subsidiary. Colleagues report that, after four months at Airbus, he still says "we" when referring to Lagardère.

The second is the role he played in forging Lagardère's joint ventures with UK companies. With GEC, he helped create Matra Marconi Space. With BAe, he set up the Matra BAe Dynamics missiles business.

Anglo-Saxon business methods hold no terrors for him. He knows the members of the UK defence and aerospace establishment well, having worked closely with senior BAe executives such as Sir Dick Evans, chairman, Richard Lapthorne, vice-chairman, and John Weston, chief executive.

At GEC, he has dealt with Lord Simpson, managing director, and Lord Weinstock, Lord Simpson's predecessor. He co-operated particularly closely with Lord Weinstock's late son, Simon, who worked hard to persuade GEC executives that they could do business with the French. Mr Forgeard has been less intimate with his German counterparts – a shortcoming he will have to correct at Airbus.

His focus on shareholder value is expected to lead to one difference of emphasis from the strategy pursued by Mr Pierson.

Mr Pierson pledged that Airbus would win 50 per cent of the civil aircraft market by the next century. Mr Forgeard is unlikely to abandon this aim, but European executives expect him to insist that profits come first.

If this means taking only 40 per cent of orders – so be it. Airbus spent its first three decades building market share. Mr Forgeard plans to spend the next decade running a business.

Essential Guide to Noël Forgeard

A perfect French start: Born in Paris in 1946, the new managing director of Airbus Industrie had the classic grooming of a member of France's industrial elite. A graduate of the Ecole Polytechnique, he moved through several senior civil service positions.

After cutting his teeth at the industry ministry, he became technical adviser in charge of civil aviation at the transport ministry in 1978. Two years later, he was technical adviser in charge of armaments at the ministry of defence. His most senior government role came in the mid-1980s, when he served as industrial adviser to the then prime minister, Jacques Chirac.

Nuts and bolts: Mr Forgeard had a spell in a state-owned industrial company. In the early 1980s, he joined Usinor, the then government-controlled French steel company, where he eventually became president and general manager.

Lucky at Lagardère: After returning to government service to work for Mr Chirac for 15 months, Mr Forgeard joined the private sector in 1987, as senior vice-president of the Matra defence and space division of Lagardère, the publishing and defence group. By 1989, he was Matra's chairman. In 1992, he became president of Lagardère and chief executive of Matra Hautes Technologies, which combined the group's defence, space and telecommunications activities.

Managing director of Airbus: Mr Forgeard was not, initially, the front-runner to succeed Jean Pierson as head of Europe's aircraft-making consortium. The name most often mentioned for the job was Louis Gallois, the former boss of Aerospatiale, who is now running SNCF, the French railways. But when the French government insisted on Mr Gallois staying where he was, Mr Forgeard's experience and European – and particularly British – aerospace contacts pushed him to the fore.

JOHN WILLMAN

Parting a fool from his money

A heady buzz, rapidly followed by feelings of guilt – this is the lot of the impulse buyer

Good news for retailers and sales executives everywhere. Impulse buying is much more widespread than commonly supposed – and often involves more expensive purchases than the clothes, cosmetics and other treats associated with it.

These findings come in a fascinating paper just published in the Qualitative Market Research Journal* which looks at the growing phenomenon of impulse buying and discovers it covers some surprisingly big ticket items.

Equally encouraging for those at the sharp end of selling, it suggests the growth of direct marketing through channels such as television shopping and electronic commerce could make it easier to part a fool from his money.

The authors describe four patterns of impulse shopping, based on portraits of individual consumers. The first is the "compensatory impulse", exemplified by the shopaholic Linda, aged 25, who has "wardrobes full of clothes she's never worn and shoes bursting out of cupboards still in their boxes".

She does it to bolster her self-esteem, the paper reckons. By liberating her "selfish, private persona", she escapes the restraints of job, home and family.

Then there's Steve, 33, who just can't resist a pair of football boots in the summer sale – even though the season is still some weeks away. He is a sucker for what the paper calls the "accelerator impulse", the desire to snap up a bargain to meet an anticipated future need.

But what about the 35-year-old man who had a row with his wife, drove off to cool down and had bought a house by the time he returned home? Or Winnie, aged 60-65, the empty-nester who went out to buy a spare set of car keys and came back with a new car? "I've always been a very careful shopper," she told her family.

The paper says these two succumbed to the "breakthrough impulse" – unplanned one-offs involving high expenditure items such as jewellery and art as well as houses and cars.

Often the desire to acquire such items has been building for some time and the purchase represents a symbolic step forward in life.

"At this moment, the heart takes over and they fall in love with their 'new self' represented by the major change," says Geoff Bayley, one of the authors.

Some impulse purchases defy explanation, so the paper helpfully puts them in a fourth category of "blind impulse". They include the 46-year-old flat dweller who bought a cast-iron fireplace even though there was nowhere to put it.

These brainstorm buys share with other forms of impulse purchase the burst of adrenalin that comes with an unplanned acquisition. In every case there is a likelihood that the impulse buy will be followed by feelings of guilt – the downer after the high.

Some shoppers cope with that guilt by hiding their impulse buys – the electronic gadgets bought from beguiling salesmen and the bargain CDs snapped up in the sales. Leaving them in the packaging or sticking them at the back of the cupboard is a way of pretending they never happened.

But other rationalisations used by impulse purchasers can be exploited by cunning marketeers. One which is already well-used in advertising is self-reward – the indulgence in return for doing the weekly shopping, looking after the children or working long hours. "Go on, spoil yourself!"

Another is comparative expenditure – justifying an impulse buy by comparing it with the spending of a partner or peer. "He spends his money on his bike/down the pub/on his camera equipment," for example. He, meanwhile, justifies all these fripperies by reference to her spending on clothes, cosmetics and hairdressing.

Advertisers have yet to exploit fully this vein. "Have another pint of beer – she'll only spend it on lipstick," looks a promising line.

Playing up to the bargain hunter is already well established, with the "buy one, get one free" approach (known in marketing circles as bog-off). Selling ludicrously overpriced warranties with white goods is another way of extracting cash from consumers by appealing to them as rational, economic managers.

Finally, the most subtle way to foster impulse buying is what the paper calls "over-buying" – letting the customer take the goods with promises that they can be returned if unsuitable, the wrong size or whatever.

Marks and Spencer, the British retailer, has long realised that letting customers take clothes home to try them on is more likely to result in a sale than providing a changing room in the store.

Most of these strategies have been adopted to some degree in traditional shops. But several might be easier to implement in the privacy of the consumer's home – hence the attractions of direct marketing for those needing to encourage impulse buying.

For example, inhibitions may be eased with home shopping where there are no shop assistants or other shoppers to gawp. Consumers are more likely to be persuaded that a

purchase makes good economic sense when they are relaxed at home rather than confronted by a fast-talking salesman.

And it is easier to tempt people into breakthrough impulse purchases if they can be shown the goods – as is possible with catalogues, TV shopping and e-commerce.

None of this will reduce the guilt, however. But perhaps even that is part of the impulse buying buzz – the sense of doing something irrational for purely personal pleasure.

**Impulse purchasing: a qualitative exploration of the phenomenon, Geoff Bayley and Clive Nancarrow, Qualitative Market Research Journal, Vol 1(2)*

Lucy Kellaway is on holiday.

PAUL BETTS
FILE FROM MILAN

Italy endures a renaissance of crime

Everyone is either robbed or robs for a living in the 'Bel Paese', but it seems to be taken as a bit of a joke

An art thief walked into the Uffizi gallery in Florence the other day and stole, right under a French tourist's nose, the marble head of an 800-year-old Roman dog.

A couple of months earlier a Van Gogh and a Cezanne disappeared from a Rome museum – happily to be found a few weeks later. A few weeks ago some squatters – a new and disturbing phenomenon in Italy – vandalised 14th century frescoes in two Viterbo churches.

The list could go on. "You are now in the street of thieves – all stolen stuff". I remember the Marchese Ferdinando Frescobaldi of the Tuscan wine dynasty recently saying as we drove down a street in Florence full of antique shops.

"The radio said there were currently about 1,100 thefts and burglaries a day in Italy," said the technician who had come to fit an alarm system in the small villa I rent in Varese, about 40 miles north of Milan by the foothills of the Swiss Alps.

The house had been broken into the last night of our holiday. The thieves – a professional gang – turned the house upside down and walked off with four old paintings and a pile of family silver. They also smashed my 12-year-old son's piggy bank. The old caretakers, the friendly boxer, the neighbours heard nothing.

A young *carabiniere* police officer took three hours to draw up a meticulous report of the theft. When it was all over at about two in the morning, another carabiniere who had visited the scene warned us with a big grin: "They'll be back. They usually do and you'd better do something about securing the house." The insurance man was also adamant. "You must fit an efficient alarm system to protect not only your possessions but also your family." The next morning we moved all the possessions we cared for out of the house.

Welcome to the "Bel Paese" as Italy likes to be called. The alarm technician too had been burgled in Milan.

"I thought I would be the very last person to be robbed."

Everybody in Italy, it seems, is either robbed or robs for a living. The country's banking association says there are six times more bank robberies in Italy than anywhere else in Europe. Sadly, it is all taken as a bit of a joke.

"If a thief gets caught he will probably do a day in jail if he is unlucky. It's not like your country here," said the carabiniere.

"If you beat up a robber in your own property he can sue you," explained the owner of my local café whose husband works as a mason. "The other day my husband was called to repair a drain pipe damaged by a burglar. He fell down and injured himself. He is suing the owner," she said.

An Italian magazine carried an apposite headline this week – "a nation of bandits". For in this torrid, turbulent, Tennessee Williams-type of Italian summer, crime has been the theme of the month. People have died of the heat; a Roman housewife went mad and stabbed to death her 27-year-old son sleeping in his room; fatigued by its economic adjustment, the government has also had to tackle a new flood of illegal immigrants rioting in detention centres and raising the country's xenophobic temperature.

Not only frightened old ladies locked up in their homes in a semi-deserted Milan, nor tourists robbed of German cars or handbags, but the entire country has become contaminated by a sort of criminal phobia. Old scandals such as the mysterious bombing of an airliner close to Sicily; the on-going political and judicial battle surrounding the thrice-convicted Silvio Berlusconi, media mogul, former right-wing premier and current leader of the opposition; the pervasive tentacles of organised crime; the corruption of big business; all have once again come to haunt the country.

The entire country has become contaminated by a sort of criminal phobia

One should not be surprised, the magazine article said. Any decent history book quickly shows that the political and social history of the country is a history of crime. "Italy wins the primate when it comes to crime," wrote the patriot Filippo Turati in 1882. "Crime is the real moral disease of Italians", wrote a contemporary Pasquale Turiello. And the 19th century author Cesare Lombrose conducted a scientific study of the problem concluding "that creature of God called Italian is essentially a criminal, in the north because of his poor diet and in the south because of the bad air he breathes".

These historical reflections have little bearing on my burglary. It was an exercise in setting the country's contemporary political and social problems in an historic context. Yet it also helps explain the disaffection of the man in the street towards the country's politicians, captains of industry, magistrates and law enforcers. Only sport seems to create these days a sense of national unity in Italy.

"Otherwise, it's everybody for himself, I'm afraid," said an Italian journalist colleague.

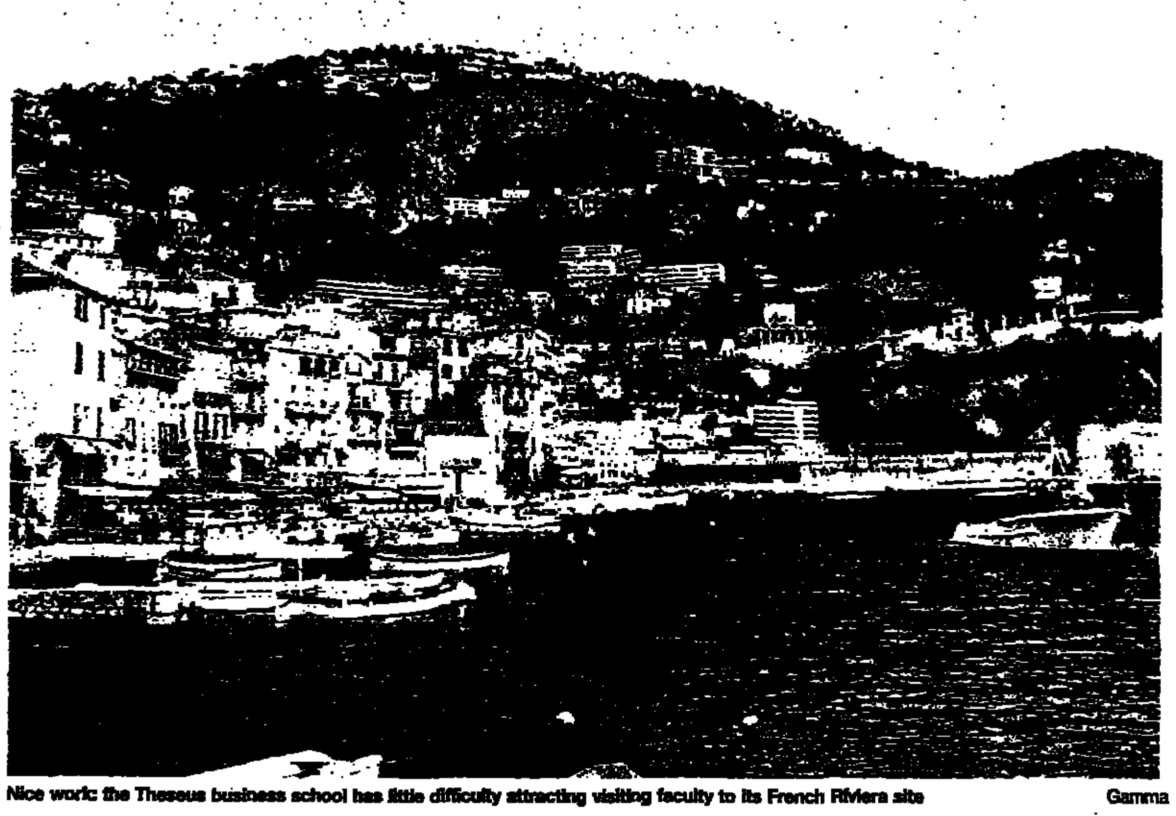
The country is finding the transition from a paternalistic, old-fashioned, family-orientated society to a so-called modern, late 20th century way of life painful. The old values that have helped prop up the country through all its difficulties – a Japanese banker once compared Italy to a ship with many holes that never seems to sink – are being systematically undermined for all the fine words of the politicians.

The house I live in was probably the last villa in Varese not to have been robbed. For 45 years, Silvia, the gardener and one of the caretakers, has slept there, shutters and door open. On Sunday night, after the break-in, she locked her door for the first time.

BUSINESS EDUCATION THESEUS

Getting big by staying small

Della Bradshaw on the progress of a one-company school with big ambitions



Nice work: the Theseus business school has little difficulty attracting visiting faculty to its French Riviera site — Gamma

Most business schools start life as a university department, but not all. In Europe, some business schools start life in the corporate world.

IMD, in Lausanne, for example, sprang from the merger of two Swiss schools, one set up by Nestlé, the foods group, the other by Alcan, the packaging concern. And in the Netherlands Nijenrode was set up after the second world war by Dutch companies, including Philips, the electrical products maker, and Unilever, the household products group.

Both have gone on to reinvent themselves as independent schools with strong reputations.

On the French Riviera another business school, Theseus, is hoping to perform a similar trick. Set up in 1989 by France Telecom, then the country's publicly owned phone operator, the school was intended to bridge the gap between technical and management skills. It foundered.

The concept, however, is defended vigorously by present-day director general, Ahmet Aykaç. "It was a brilliant act of foresight. The fundamental error they made at the time was to put electronics engineers at the head of the school."

Prof Aykaç is certainly not that. A former professor at IMD and Insead, in Fontainebleau, and a former student at Columbia University in New York, he was lured to Theseus, built on the Sophia Antipolis science park, after a row with his bosses at IMD. The issues clearly still rankle: he quietly describes the problems as "fairly significant differences."

Prof Aykaç joined Theseus in January 1996 and later that year three other big names from the IMD faculty also defected: Francis Bidault, now deputy director general at Theseus; Yury Boshyk, executive education director; and Mary-Rose Greville, professor of organisational behaviour.

This "gang of four" listed the criteria that had to be met before they arrived: the school had to change to reduce the dependency on one company; and France Telecom had to resist interfering in the running of the school.

But Prof Aykaç had a further plan to differentiate Theseus from traditional university business schools. While they are intent on building bigger and bigger institutions he intends to keep Theseus small, using visiting faculty as required in a virtual organisation. It is a strategy which may stand Theseus in good stead in the case of recession.

'It was a brilliant act of foresight. The fundamental error they made at the time was to put electronics engineers at the head of the school'

The four former IMD employees now form two thirds of the core faculty of six – the full-time faculty at the school. In addition there is a group of frequent visitors, the affiliated faculty, which numbers 14. There are a further 80 or so visiting faculty.

Prof Aykaç defends the size of the school. "I don't need an enormous amount of people's time. I need a lot of their attention. To get their attention I have to attract their curiosity. To do that I have to be doing intelligent things, working with good clients. That is the chain we're trying to put together."

Theseus' client base reads like a *Who's Who* of the corporate world: Johnson & Johnson, Volkswagen, IBM and PepsiCola International are just a few. French companies, including founder France Telecom, now account for just 2 per cent of the business.

But with an annual turnover of FFr27m (£2.69m) Theseus's business is still very small. Prof Aykaç hopes the school will grow by between 30 and 40 per cent a year in terms of revenue and will add one extra core faculty member a year over each of the next few years.

He says the school is now on a sound financial footing, having repaid the funds poured in by France Telecom, and has reduced the subsidy the phone company pays to the school to around 20 per cent of the total income. The plan is for a consortium of some 20 or 25 companies to invest in the school: at the moment France Telecom still owns more than 90 per cent of the shares. But the actual structure of the school, and who those companies will be, has yet to be decided.

One area of concern for the gang of four is the MBA programme. Although it brings in 10 per cent of the revenues, financially it is a "big black hole" says the director general. With plans to increase the number of participants from the 20 of today to around 60, this is one area which Prof Aykaç does intend to grow.

TIM JACKSON
ON THE WEB

A grey area of law

A European Court of Justice ruling will chiefly benefit US internet retailers

The case of the Bulgarian spectacles sounds more like a Sherlock Holmes mystery than a matter of high concern in the internet and computer businesses. But a recent court judgment in Luxembourg may change the pricing strategy of companies in the US, European Union and Japan.

The background to the case is that many companies doing business in Europe and the US maintain higher prices in Europe. Whatever the excuse – the cost of local staff, localisation, or whatever – it is common to see pricing strategies in which the dollar sign has effectively been scratched out and replaced with a British pound sign.

To maintain this pricing strategy, companies generally go to imaginative lengths to stem the tide of grey imports, which arise when a distributor in a low-priced country sells products to another company in a higher-priced country. In the computer and software business, the usual method is to refuse technical support to customers who bought in the cheaper market.

Courts are rightly vigilant in the defence of companies that are the victims of out-and-out scams, such as counterfeit Chanel No 5 perfume, or copies of Windows 95 pressed in China. But courts look less favourably on companies trying to keep out of a high-priced market products that they sold themselves in a lower-priced market.

According to Gary Rinck of Morrison and Foerster, the US law firm, US law makes it hard for companies to prevent grey importing except in certain circumstances that are tightly defined.

In one area – grey importing between EU countries – European law is equally vigilant, thanks to the principle of free movement of goods between member states. But the status of grey imports into the EU from outside has long been more murky.

That is where the Bulgarian spectacles come in. In 1995, Silhouette International Schmied, an Austrian manufacturer of designer glasses, decided to get rid of 21,000 outmoded pairs of glass-frames by selling them in Bulgaria for about $12 apiece. To Silhouette's dismay, an entrepreneurial Austrian discounter found out about the consignment, and shipped it straight back to Austria. It then advertised the products heavily, making a big deal of the fact that the products were on sale without Silhouette's permission.

Three years later, the European Court of Justice – the EU's highest court – has ruled on the case, albeit in a badly written and obfuscatory judgment (see "recent cases" at *www.curia.eu.int*). The Court's ruling backs Silhouette, and affirms the principle that a company holding an EU trademark has a clear right under European law to prevent anyone from importing its product into the EU from outside and selling it even if the third party bought the goods honestly abroad.

What makes this ruling so dramatic is that the debate inside Europe was previously much more liberal.

The conservatives in the debate – national courts in a number of countries – have encouraged companies to restrict grey imports when there is a clear quality or cost difference between the branded product sold outside the EU and inside.

The liberal end of the spectrum, largely occupied by intellectual-property academics, says that companies should not be able to stop parallel imports even in such cases.

The Silhouette judgment moves the goalposts sharply to the right. By blessing market segmentation between the EU and the US even when there is no quality difference, this ruling will have big effects in the computer, software, internet and entertainment industries.

But the judgment may have a more immediate effect: US online mail-order retailers will be able to sell things straight to European consumers, arbitraging the price difference between the markets.

That is already an issue in the books trade, where publishers buying UK rights are discovering to their horror that British customers can have books shipped from the US and still save money.

The good news is that the internet will help mitigate damage to European consumers from having to pay more for a wide range of goods. The bad news is that the long-term beneficiaries of the Silhouette judgment will not be the European companies that the European Court sought to protect, but US internet retailers already ahead in a fast-growing market.

tim.jackson@pobox.com

POTTED THEORIES MANAGEMENT

Corporate thought

Richard Donkin on the influence of management writer Peter Drucker

Management is not a 20th century concept. Evidence of organised work has emerged from prehistoric times and the word itself has late 16th century origins.

But it was arguably not until Henri Fayol, a French mining engineer, began to outline the role of management at the beginning of the century that it came to be regarded as a set of definable skills used in the planning and control of a business.

If Mr Fayol put corporate management on the map in his own country – his work was not translated into English until 1949 – its role in the modern company and post second world war evolution was more broadly defined by Peter Drucker in a series of ground breaking works beginning with *Concept of the Corporation* in 1946, a study of General Motors.

While Mr Fayol outlined some important general principles of management, including the division of tasks, taking responsibility over other employees, business goals and the importance of planning, Mr Drucker refined the function for the big corporation.

In *The Practice of Management* (1954), he set down the basic tasks of the manager, reducing them to five fundamental functions in a later work, *Management: Tasks, Responsibilities, Practices* (1973). These were to set objectives, to organise, to motivate and communicate, to measure and to develop people. In outlining these functions he was also elevating the role to that of educator, communicator, strategist, and visionary. These qualities would prove beyond the reach of many administration-focused managers, but without them, he argued, a company could not compete on a worldwide scale.

Mr Drucker's thinking was evolving with the demands of the company, moving from systems-based management requiring managers to understand and apply general principles, to directing the enterprise.

As a prolific source of management ideas, the Austrian-born Mr Drucker has become the archetypal management guru, though he prefers to think of himself as a writer and journalist.

Unlike many other gurus he is not credited with a specific revolutionary theory, although he coined the term knowledge management and introduced the concept of management by objectives. On the other hand his writing and thinking have been so prolific and insightful there seem few areas of modern management and business that have escaped his influence.

Mr Drucker may not have invented management or have even discovered it but he did explain it in a way that managers could understand, shedding light on what he described as a "dark continent."

Book: The Practice of Management, 1954.
Quote: "Before world war II most managers did not know they were managing."

NEWS FROM CAMPUS

LBS recruitment gets under way

Kenneth Smith, presently director of communications at Insead, in Fontainebleau, has become the first big staff appointment for London Business School's new dean John Quelch, lately of Harvard.

Mr Smith will be associate dean for corporate strategy at LBS, where he will help Prof Quelch devise and promote the LBS brand. He will take up the job on September 1.

● Elsewhere in Insead, Daniel Muzyka, professor of entrepreneurship, has completed his three-year term as associate dean for the MBA programme and has been replaced by fellow American Landis Gabel. Prof Muzyka will devote more of his time to the 3i Venturelab, a permanent centre to study entrepreneurship set up by Insead and 3i, the private equity supplier, where he is director.

Prof Gabel in turn will be replaced as associate dean for research by Belgian Luc van Wassenhove. Gabriel Hawawini has become the associate dean for Insead's PhD programme.
Insead: www.insead.fr
LBS:www.lbs.ac.uk

Expansion advice

Free help is now on offer from Manchester Business School to small companies in the north west of England which want to expand overseas.

The aim of the project, fully funded by the European Regional Development Fund, is to help companies with fewer than 500 employees by developing competencies in foreign languages and cross-cultural communication. The participants will also be given help in gathering market data from overseas and in setting up initial contacts there. The programme will be run by the Language Centre at MBS.
email: m.djeddour@fs2.mbs.ac.uk

Aylesbury joins the market

The market town of Aylesbury, Buckinghamshire, is to get its own business school. The school has been set up as a partnership between the nearby University of Luton and Aylesbury College. Vocational and professional courses as well as degree programmes will be offered.
Aylesbury Business School: UK, (0)1296 588588

Information for News from Campus should be sent to Della Bradshaw, The Financial Times, One Southwark Bridge, London SE1 9HL. Tel. 44 171 873 4673 Fax 44 171 873 3950

BUSINESSES EDUCATION

ENVIRONMENT VIEWPOINTS NICK MAYHEW

Trouble with the triple bottom line

A fundamental confusion about different kinds of value lies at the root of Shell Group's difficulties with its stakeholders

What are we to make of the plethora of publications from big companies detailing their social and environmental performance?

At Oikos, a UK research organisation, we have been trying to digest the contents of about 25 such publications. We have been considering whether they stand up to rigorous analysis, and whether they indicate genuine progress towards sustainable development. We have also been examining how likely they are to reduce risk and facilitate future business activity.

Recently, Shell's output and accompanying activity in this area have made for especially fascinating analysis, particularly as the company is reckoned by some to be setting benchmarks for others to follow. In April, Royal Dutch/Shell Group produced the pioneering Shell Report 1998, subtitled *Profits and Principles – Does There Have to be a Choice?*

This report, it states, is "about values. It describes how we, the people, companies and businesses that make up the Shell Group, are striving to live up to our responsibilities – financial, social and environmental." These are the three dimensions of the so-called "triple bottom line" of sustainable development, against which all companies will soon be expected to account for their activities.

The following month, Shell UK published its own, derivative *Report to Society*. Then, last month, Royal Dutch/Shell Group published its first, externally verified health, safety and environment report, involving an audit contract worth £1.5m.

On the one hand, then, we have Shell telling us of its "commitment to sustainable development", of its wish to be "good corporate citizens", and of its "concern for human rights…[and] the impacts of potential climate change". The company trumpets its five-year, £300m investment in renewable energy projects.

But on the other hand, the company's core business clearly remains the exploitation and sale of fossil fuels: a business regarded by many as ecologically perilous and socially destructive. Until last month, when Shell (and Mobil) withdrew because of disagreements with the Peruvian government about infrastructure provision, the company had been trying to secure the development of the Camisea jungle hydrocarbons deposit, one of the world's largest gas fields.

Indeed, it was using the "stakeholder consultation" processes promised in its reports to smooth access to "protected" Amazonian rainforest, home to uniquely diverse populations of indigenous peoples.

So how should we interpret such developments? On a positive note, it is clear that Shell is serious about responding to the increasing demand for greater corporate accountability. The company has even set up a four-person Social Accountability Team to distribute this agenda internally. Such signs of tangible institutional change deserve praise and encouragement.

However, one is tempted to ask whether all this work represents an especially sophisticated way for Shell to repair its battered corporate reputation, justify the continuation of its core business-as-usual, and renew its "licence to operate". Shell's problem is that it has not yet managed to set up a rigorous process by which it can claim to be interacting meaningfully with its stakeholders. The suspicion lingers that it is more interested in using stakeholder consultation for "issue management" purposes than for genuinely understanding the impact of its activities and perhaps changing its priorities.

When Oikos participated in the "stakeholder dialogue" on the proposed Camisea development, for instance, time was very limited, the processes inadequate and at no point was the company willing seriously to consider the view that it should not be there at all.

Instead, Shell has defined its responsibilities by reference to its own "values" and quite incoherent "principles". So Shell's "core values [of] honesty, integrity and respect for people" appear to translate into "business principles" including "winning and maintaining customers" and "supporting free enterprise"!

Shell says that while one of its responsibilities is "to give proper regard to… the environment, consistent with its commitment to sustainable development", another is "to protect shareholders' investment". But who defines "proper regard"? Presumably, there are hard choices to be made between principles and some forms of profit-making. Shell must surely understand this.

Part of the trouble lies in Shell's adoption of the concept of "the triple bottom line," as promoted by John Elkington and his environmental consultancy, SustainAbility. Although its promotion of three-dimensional accountability is important, the concept misleads companies into thinking that by somehow aggregating economic, social and environmental "value-added", they can claim both responsibility and sustainability.

The delusion is that they compensate for the "value" they are subtracting from one bottom line – the environmental, say – by "adding value" to another "bottom line" – for example the economic – even though the two forms of value are of a very different nature.

Shell should focus on coming up with meaningful stakeholder dialogue processes that would allow these different forms of value to be properly realised, compared and prioritised, with responsibilities recognised accordingly. Instead, it is concentrating on devising what SustainAbility (in collaboration with Arthur D. Little) calls "a range of total net value added metrics".

The problem with such technocracy is that it obfuscates rather than clarifies. The metrics may provide some semblance of rationality to empower corporate decision-making in the short term, but it is likely to alienate rather than include many stakeholders. This approach will therefore do little to bring about a more consensual way of working or to minimise risk.

The author is director of Oikos, a not-for-profit organisation core-funded by the Joseph Rowntree Charitable Trust. This article is drawn from a longer Oikos paper about Shell's efforts in this field, to be published next month.

PETER KNIGHT

Spin off the company halo

People are not fooled by positive PR. They want the bad news as well as the good

Why are society magazines such as Hello! and People so hugely popular, while corporate social brochures lie around unread? Both have lots of pictures with people wearing ghastly "I've-just-met-a-royal" grins. There's plenty of positive ra-ra-ra and the underlying messages are identical: we are beautiful, perfect and oh so caring.

While society magazines sell millions, company publications telling of community and charity work are spurned as corporate trash. Why?

The answer is spin – the way facts are rearranged to present a story in the best possible light. Readers love the positive spin put on the stories of minor royals and fading celebrities as they "talk openly" of their wonderful marriages and "graciously open the doors" of their palatial homes. Readers know it is a load of nonsense, but it is a bit like eating chocolate – great fun and nobody gets hurt.

The same readers, though, are highly suspicious of the slant put on corporate stories about the good work companies do in the community. Readers heavily discount anything a company says on the issue. They realise they are getting only one side of the story, and want to hear the bad news as well as the good.

There are sound reasons for this. We are losing our respect for traditional authorities and social structures. Large companies are being called on to act as moral entities, to uphold codes of conduct and to take on social responsibilities in return for the freedoms they enjoy.

But consumers know too that companies, like priests and government ministers, are never perfect. They face dilemmas and often act in error. By far the biggest mistake companies can make is to wear a halo; yet judging by the quality of corporate publications, many make a habit of it.

Some leading companies have begun to modify the way they communicate, especially about their social responsibilities. They have shaken off the halo and reduced the spin.

Take the Shell Report. It was well received mainly because it confronted the difficult issues: human rights, bribery and corruption. Publishing this information – including the number of people fired for taking bribes – is embarrassing but honesty gains good marks from the public.

The Shell Report is the first of its kind from such a big mainstream multinational. It marks the beginning of not only a new form of non-financial reporting, but – more important – a decline in the amount of corporate spin in company communications.

Take the case of Monsanto, the biotechnology company. It badly misjudged the European concern about genetically modified foods.

European politicians and consumers were outraged that modified soya beans were being introduced into processed foods without buyers being told about it on the label. Food companies have become concerned about consumer resistance, legislation has been mooted and many are calling for a moratorium on such research.

After a long silence, Monsanto apologised. Then in a series of advertisements it set about telling its story, especially its belief that genetically modified foods are harmless and are needed to feed the world's growing population.

Its carefully crafted campaign is a fine demonstration of modified spin. The company admits there is a big and important debate surrounding the issue and its view is not the only one. It encourages readers to find out about other viewpoints and publishes the telephone number or web sites of environmental groups such as Greenpeace and Friends of the Earth.

It demonstrates a fresh openness and a move away from the discredited public relations approach of ignoring the negative and only ever emphasising the positive.

Other companies are preparing to follow Shell's lead, and social reporting is set to become a regular activity. The public is far too knowledgeable and increasingly intolerant of shoddy spin to put up with anything other than open, clear reporting of both good and bad news. Company spin doctors, be warned.

Peter Knight is a specialist writer on business and the environment.

BUSINESS TRAVEL LUGGAGE ALLOWANCES

Rarely a jolly bagman

Lost baggage and confusing carry-on rules have exasperated travellers and lead to clashes with airlines. **Amon Cohen** *weighs the issues*

Hold on to your luggage at European airports. The smashing of a baggage-thieving ring at London Heathrow last month means another continental airport can expect shortly to be receiving the attentions of those gang members not caught.

"We are pretty hopeful we have put an end to it at Heathrow, but we won't have all of them," said the Metropolitan Police, which made more than a dozen arrests. "They move around from airport to airport."

Organised crime apart, increasingly crowded aircraft and airports make it ever less certain that business travellers will arrive at their destination with luggage intact.

There are also more arguments between passengers and airlines about what may be carried as hand luggage. Between April and June, baggage accounted for 47.8 per cent of all complaints received by the International Airline Passengers Association.

Problems with hold luggage and confrontations over hand baggage are directly linked. "I can understand the safety reasons for restricting the luggage that people can take on board, and I have seen people trying to carry on large suitcases," says Mike Bor, managing director for World Travel for Business, the London-based business travel agency.

"However, the airlines will only be successful in persuading passengers to put their baggage in the bold if they are secure in the knowledge that the bags will be there when they disembark."

Many passengers using Heathrow had their confidence dented last summer when flight delays and system failures meant tens of thousands of items were mislaid. British Airways, the airport's dominant airline, and BAA, its operator, are still bickering over who was responsible. However, both say that normal service has been resumed, with BAA investing £250m to improve its baggage system.

Mr Bor is not so sure. "Not as much progress has been made as I would like," he says, citing a client who flew first class with BA from New York to Moscow via Heathrow. The client, a main board director of a top US company, arrived safely in Moscow. His bags did not.

Mr Bor's experience is that the transfer of bags between Terminals 1 and 4 is particularly prone to mishap. BA says this should improve when a tunnel between the two buildings opens.

The uncertainties of checking in luggage have caused more passengers to keep it with them, which in turn has led to a clampdown on those who attempt to carry more than they are allowed. KLM is one of several airlines that provides check-in staff with a bin. If the bag fits in it, it is permitted as hand luggage; if not, it goes in the hold.

The problem for passengers is that there is no consistency between airlines – or even within them. The International Air Transport Association recommends that the height, width and depth of a carry-on bag should not add up to more than 45in (114cm). It is also considering recommending a maximum weight.

However, such standards are not applied universally. Generally, European carriers allow one carry-on bag, whereas US airlines permit two, although even this principle is unreliable. In the US, Northwest Airlines only allows one but permits in addition a handbag, briefcase or laptop. American Airlines allows two bags plus a handbag, briefcase or laptop, while Continental says these items must be among the two permitted bags. To make matters more confusing, Delta Air Lines has one set of rules, while its offshoot, Delta Shuttle, has another.

Most airlines allow more bags in premium class than in economy but inconsistencies can occur in the same class. The Air Transport Users Council receives many complaints from passengers whose modest holdall is steered towards the hold only to find their more assertive neighbour stuffing an oversized suitcase into the overhead locker.

Kyle Davis, American Express director of purchasing, has even had to resist an attempt to confiscate his laptop. "I told them this was not negotiable," he said.

The issue also leads to tensions between passengers and cabin crew. "I once saw a woman get on board and the first thing the attendant said to her was: 'That bag has to go in the hold'," says Mr Davis. "The woman turned to the attendant and said: 'Good evening, welcome on board'."

Solutions may be at hand. Aircraft manufacturers are aware of the demand for a greater carry-on allowance, says Hans Krakauer, government and industry affairs spokesman for the International Airline Passengers Association. Among options being considered for new aircraft designs are stowage areas away from seats.

Mr Krakauer also argues that manufacturers, airlines, and airport authorities need to co-operate more and change their attitude towards baggage. "At the moment, they regard luggage as cargo rather than a passenger service and that alters their whole philosophy," he says.

"I'm telling you, this is hand luggage" Ronald Grant

TRAVEL UPDATE

Delta hit by US ban on flights over north Afghanistan

A ban on US flights over northern Afghanistan has forced Delta to drop a code-sharing arrangement with Swissair on flights between Zurich and Delhi, Bangkok and Singapore. The Department of Transportation in Washington says American carriers may not fly over the region which is the focus of civil war between government forces and the Taliban.

A Delta spokeswoman says: "The DoT also forbids us from putting our code on flights over the restricted area. Because certain Swissair flights may be operating there, we have had to withdraw our code." Swissair hopes to re-route its aircraft, and says it is confident its agreement with Delta can be resuscitated.

BA non-stop to Iran

British Airways is to resume non-stop flights between London Heathrow and Tehran, knocking two hours off the current journey time. Flights have been stopping at Baku in Azerbaijan. The airline flies to the Iranian capital on Tuesdays, Thursdays and Sundays.

Sounds good

American Airlines is testing a voice recognition booking system on top-tier members of its frequent flyer programme in the US. Instead of keying in numbers on the telephone when the reservations department answers, customers read out their membership codes and the computer digs out details of their preferences. The call is then picked up by an operator who is able to greet the passenger by name and can already see whether he or she has any meal or seat requirements.

Allez Qantas

Qantas plans to launch direct flights between Sydney and Paris on October 26. It will operate three times a week, on Tuesdays, Thursdays and Saturdays, via Singapore. On the same day the airline will introduce services between Brisbane and Rome, via Bangkok; and on November 20 it intends to start flying between Sydney and Buenos Aires, stopping en route in Auckland. Services to France and Argentina await government approval.

BT phone home

British Telecom has launched a charge card which it claims will save travellers the bother of claiming expenses for telephone calls and data transmissions. Called BT Business Chargecard, it will allow them the alternatives of charging the cost to a credit card or direct to their company's phone bill. It also allows users to nominate their office or mobile number as an account code, so they need not even carry the card with them.

Fit to fly

Pittsburgh airport has opened a fitness centre for passengers. If you have checked in your work-out gear, you can rent some, including shoes, for $3.

Air to show

London's Earls Court exhibition centre will have a direct rail link with Gatwick airport from next spring. Work has begun on a new station across the road at West Brompton. It will be served by Connex South Central trains running between Gatwick and Rugby, which already stop at Olympia. Silverlink's Willesden Junction-Clapham Junction Shuttle trains will also call there.

Hotel makeover

Lausanne's Beau-Rivage Palace Hotel, on the shores of Lake Geneva, has undergone a $10m (£6m) facelift. Bedrooms have modem points, ISDN lines and remote control for lights, windows, and shades.

Roger Bray

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	29	[illegible]	31	30	29
Hong Kong	31	32	32	33	32
London	30	28	23	21	24
Frankfurt	29	32	29	24	23
New York	30	26	28	28	28
L. Angeles	28	32	31	28	25
Milan	34	32	36	33	32
Paris	36	32	26	23	24
Zurich	33	34	30	25	23

Information supplied by Meteo Consult of the Netherlands

Maximum temperature in Celsius

OPENINGS

LUCERNE

The Lucerne festival celebrates its 60th anniversary with the inauguration of a new lakeside concert hall on Saturday. It has been designed by French architect Jean Nouvel and US acoustics expert Russell Johnson, and can be used as a year-round congress and conference centre. The opening concerts are given by Claudio Abbado and the Berlin Philharmonic Orchestra, and the festival runs until September 10.

EDINBURGH

The Edinburgh Fringe Festival starts this year a week earlier than the official Festival. Eight productions start this week at the Traverse Theatre alone. These include the controversial Sarah Kane's latest premiere, *Crave*, later to be seen at the Royal Court Theatre Upstairs; Bruce Morton's *Blood Below the Window* and Liz Lochhead's *Perfect Days*.

Donald Runnicles (far left) conducts the Royal Scottish National Orchestra in the opening concert of the festival proper at the Usher Hall on Sunday – a performance of Berlioz's *Grande Messe des Morts*. Among the festival's many attractions this year are a Verdi-Schiller cycle by the Royal Opera; a Scottish Opera production of Smetana's *Dalibor*, a Sibelius cycle with the Chamber Orchestra of Europe, recitals by Bostridge, Schiff and Terfel, and theatre productions by Stein, Bondy and Ivo van Hove. The dance programme includes a celebration of Hans van Manen (left).

BADEN-BADEN

The Mariinsky Theatre of St Petersburg takes up residence in the Festspielhaus on Saturday for a week of performances conducted by Valery Gergiev. Repertory includes a new production of *The Queen of Spades*, starring Vladimir Galuzin and Galina Gorchakova.

TAMPERE

This year marks the 30th anniversary of the Tampere theatre festival. Running for six days and nights every August, the festival includes the most interesting productions of the Finnish theatre season. This summer's event, which opens tomorrow, also features a *Hamlet* from Lithuania, alongside guest productions from Germany, Iceland, Norway, Italy and Argentina.

LONDON

The Elgar-Payne Third Symphony makes its Proms debut on Thursday in a concert by the BBC Symphony Orchestra under Andrew Davis – the same forces who gave the work its acclaimed premiere in February.

A "Divas" season at the Donmar Warehouse starts tonight with *Sibling Revelry*, featuring Ann Hampton Callaway and Liz Callaway.

Joe Orton's classic black farce *Loot* opens on Wednesday at the Vaudeville Theatre. The production is directed by David Grindley, and is led by Fred Ridgeway and Tray-Ann Oberman (left).

Shakespeare's Globe Theatre launches the two last of this year's productions on Thursday: *The Honest Whore* by Thomas Dekker, and *A Mad World, My Masters*, by Thomas Middleton.

SCARBOROUGH

Alan Ayckbourn (right) directs the premiere of Tim Firth's latest play, *Love Songs for Shopkeepers*, at the Stephen Joseph Theatre. The first night is tomorrow.

Thea Musgrave, Joan Tower and Ellen Taaffe Zwilich: Illuminating as the discussion was, nothing spoke louder than their music. The gender issue evaporated

THE SANTA FE CHAMBER MUSIC FESTIVAL

Major musicians in a minority group

Andrew Clark argues that women composers need no special pleading for their work

Are you being underserved? The question has long been a hot topic for minorities and special interest groups in the US, but it is not one you expect to be discussed at the Santa Fe Chamber Music Festival.

Unlike previous years, when the festival contented itself with serving digestible portions of Bach and Beethoven to tourist audiences, this summer's event ventured into the political arena. Its centrepiece was a symposium on women composers, three of whom had their music played in high-profile concerts. The festival also announced that next year it would include music of Spanish and native Indian origin, in order to reflect the distinctive culture of New Mexico.

The symposium, coinciding with this ethnic policy initiative, provoked heated discussion among Santa Fe's usually passive audience. Some critics interpreted it as an outbreak of political correctness: by giving a special platform to women composers and Indian art, the festival seemed to be putting non-musical issues before musical quality. Here was yet another corner of US society in which people were to receive advancement because they represented a minority or special interest, and not because they were any good.

As far as quality is concerned, the three women under the spotlight at Santa Fe had nothing to fear. Thea Musgrave (b.1928), Joan Tower (b.1938) and Ellen Taaffe Zwilich (b.1939) were represented by works which, in each case, demonstrated a strong personality and distinctive style. At the symposium, they came across as dynamic, witty people who needed no special pleading. Indeed, they spent the entire day trying to duck the gender issue, as if embarrassed that it should be raised at all. And rightly so. It's an insult to suggest they earned their reputation because they were women, rather than because they wrote good music.

And yet each of the three seemed only too happy to take part in a gender-based forum. Women composers may no longer see themselves as victims, but they still account for less than one per cent of the music played at mainstream concerts. That fact alone suggests that, in a country with laws for "affirmative action" (a euphemism for positive discrimination), they should qualify for occasional preferment. This again raises the thorny question of political correctness versus artistic quality.

Just as gender politics in musical life appears to be running out of steam, identity politics is gaining ground. Everyone is identified by group, whether it be gay, female, black, Hispanic, whatever

When Musgrave, Tower and Zwilich started writing music, they had no women's movement to promote their cause. Like such distinguished predecessors as Fanny Mendelssohn, Amy Beach or Elisabeth Lutyens, they succeeded *despite* the fact that, historically, women have been discriminated against in music. Until the postwar era, it was not easy for women to gain admission to conservatoires, to be accepted in composition classes or specialise in conducting.

The women's movement changed all that. It confronted the obstacles and prejudices facing women in music. Radical feminist musicologists such as Susan McClary, who chaired the Santa Fe discussion, wrote books questioning the way women were portrayed by male composers. They brought to light unpublished music by female composers. Much of it deserved its obscurity – but the music had to be examined to allow that conclusion to be reached. Tower and Zwilich provide useful role models for a younger generation of female composers in the US. Their music gets as much exposure in American concert halls as any living male composer.

Thanks to their and others' success, women composers are no longer regarded as freaks. As Musgrave, Edinburgh-born but US-based, made clear at Santa Fe, the problems of women composers today are little different to those facing their male counterparts. Highlighting the feminist cause in music only diverts attention from the real issues: how to sustain audiences and funding, how to counter the anti-arts drift in US education and public life.

But just as gender politics appears to be running out of steam in US musical life, identity politics is gaining ground. Everyone is identified by the group they belong to, whether it be gay, female, black, Hispanic, whatever. What you think, do and produce is interpreted accordingly. The word "good" is no longer relevant. Universal aesthetic values are out; *everything* has equal value. This way of thinking has not only taken hold in US universities, it has begun to infect the papers of the American Musicological Society. And by putting women composers and Indian music on to its programme, the Santa Fe Chamber Music Festival has tacitly bowed to the same agenda.

In that respect, the festival is no different from most other US music organisations. In the current political climate, if you assert what could be perceived as "traditional" values, you risk being labelled as patriarchal. That can be intimidating. American orchestras, opera companies and music societies are forced to pay lip service to identity politics, because otherwise they may find themselves losing out financially. When they go cap in hand to foundations, business corporations and government agencies, they have to show that their activities and their audiences reflect the diversity of American society.

The Detroit Symphony recently suspended its usual audition procedures in order to hire a black double-bass player: it had to find a way of acknowledging the city's racial diversity. Other arts companies try to attract representatives of ethnic minorities on to their boards. Diversity is regarded as worth supporting, and a truer reflection of US society. Most US business corporations accept these values – in some cases under fear of lawsuits. But there are no laws governing women composers. What affirmative action encourages is a climate that sets quotas as goals. And once you start setting quotas in art, you create a crisis in defining aesthetic value.

Santa Fe would have been on much rockier ground if it had included music by less-established composers, such as the 10 lesbians whose new CD was being plugged on the festival fringe. Instead of wallowing in their identity cocoon, Musgrave, Tower and Zwilich spent most of the seminar discussing problems that anyone, male or female, can encounter in a musical career. How do you make your music better known? You bridge the divide between composer and performer by forming your own ensemble (Tower), or allying yourself with organisations like the American Composers Orchestra (Zwilich). How should you deal with the music industry? It's helpful to know other women in influential positions, but "grandstanding" – indulging in high-profile polemics – does not help.

There seemed to be a consensus that after a century dominated by musical theorists, "the A-word" – accessible – was no longer shameful, as long it involved no loss of intellectual rigour; emotional expression was not a woman's prerogative, nor was an ability to get into the mindset of female characters. Tower confessed she had no desire to write for the human voice; Musgrave said her biggest operatic difficulty had been "working out how to make each scene go somewhere".

Illuminating as the discussion was, nothing spoke louder than the music. Musgrave's choice of recorded excerpts conveyed the classical discipline of her technique, and her talent for enticing the ear with sound. Tower introduced her Violin Concerto – a far more engaging and vibrant example of her work than the homage to Messiaen for cello and piano, which featured in one of the evening concerts. Zwilich was represented by her Piano Trio, an incisive, obsessive piece, powerfully argued in a traditional framework.

At a festival concert later in the week, Zwilich's trio – performed by its dedicatee, the Kalichstein-Laredo-Robinson Trio – sat comfortably between Beethoven's Flute Serenade and Elgar's Piano Quintet. The gender issue had evaporated: what mattered was the music, not the sex of the person who wrote it.

INTERNATIONAL Arts Guide

GLIMMERGLASS

OPERA
Alice Busch Opera Theater, Cooperstown
Tel: 1-607-547 2255
● Falstaff: by Verdi. New production directed by Leon Major, with sets and costumes by John Conklin and lighting by Pat Collins. The conductor is George Manahan; Aug 11, 14
● Partenope: by Handel. New production directed by Francisco Negrin, in his Glimmerglass debut, and conducted by Harry Bicket; Aug 10, 16
● The Mother of Us All: by Virgil Thomson. Conducted by Stewart Robertson in a new staging by Christopher Alden, with sets by Allen Moyer; Aug 13, 15
● Tosca: by Puccini. New staging by Marc Lamos, with sets by Michael Yeargan. The conductor is Stewart Robertson; Aug 15

GLYNDEBOURNE

OPERA
Glyndebourne Festival Opera
Tel: 44-1273-815 000
● Capriccio: by R. Strauss. Revival conducted by Andrew Davis and directed by John Cox. The Countess is sung by Felicity Lott. With the London Philharmonic Orchestra; Aug 14
● Le Comte Ory: by Rossini. Revival conducted by Yves Abel and directed by Jérôme Savary, with the London Philharmonic Orchestra; Aug 12, 15
● Simon Boccanegra: by Verdi. New production conducted by Mark Elder in a staging by Peter Hall. With the London Philharmonic Orchestra. The title role is sung by Elena Prokina; Aug 10, 13, 16

LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC National Orchestra of Wales: Tadaaki Otaka conducts the UK premiere of Sofia Gubaidulina's And: the feasting at its height. Programme also includes works by Dukas, Szymanowski and Strauss. With cellist David Geringas and tenor Jean-Paul Fouchécourt; Aug 10
● BBC Symphony Orchestra: conducted by Andrew Davis in works by Ravel and Mozart, and Payne's elaboration of the sketches for Elgar's Third Symphony; Aug 13
● Birmingham Contemporary Music Group: Simon Rattle conducts a programme of works by British composers including Oliver Knussen, Thomas Adès, Simon Holt and Mark-Anthony Turnage. With piano soloist Thomas Adès and cellist Ulrich Heinen; Aug 10
● Orchestra of the Age of Enlightenment: conducted by Heinrich Schiff in works by Haydn, Gluck and Beethoven. With baritone Thomas Allen; Aug 12
● Philharmonia Orchestra: European premiere of Leonard Slatkin's Housewarming, conducted by the composer. Programme also includes Joseph Schwantner's Percussion Concerto, with Evelyn Glennie, and Elgar's Symphony No. 2 in E flat major; Aug 11

Royal Festival Hall
Tel: 44-171-960 4242
Kodo Drummers: return visit by the 14-strong Japanese troupe; Aug 12, 13, 14, 15, 16

EXHIBITIONS
Barbican Art Gallery
Tel: 44-171-638 8891
The Warhol Look/Glamour Style Fashion: includes screen prints, films, reconstructed window displays, photographs and clothing; to Aug 16

Royal Academy of Arts
Tel: 44-171-300 8000
Summer Exhibition: held every year since the Academy's foundation in 1768, the world's largest open exhibition displays work by established painters and sculptors alongside that of younger and less well known artists; to Aug 16

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
● Canadian Brass: programme includes works by Bach, Mozart and Bizet; Aug 13
● Mostly Mozart Festival Orchestra: conducted by Ivor Bolton in works by Mozart and Handel. With violin soloist Christian Tetzlaff and mezzo-soprano Susan Graham; Aug 11
● Mostly Mozart Festival Orchestra: conducted by Ivor Bolton in works by Mozart. With violin soloist Christian Tetzlaff and piano soloist Louis Lortie; Aug 12

SALZBURG

OPERA
Salzburg Festival
Tel: 43-662-844501
● Aufstieg und Fall der Stadt Mahagonny: by Weill. Conducted by Dennis Russell Davies in a staging by Peter Zadek, with sets by Richard Peduzzi. Cast includes Dame Gwyneth Jones and Wilbur Pauley. With the Vienna Radio Symphony Orchestra; Grosses Festspielhaus; Aug 12
● Don Carlo: by Verdi. New staging by Herbert Wernicke, with the Vienna Philharmonic and Opera conducted by Lorin Maazel. Cast includes Samuel Ramey; Grosses Festspielhaus; Aug 10, 13, 16
● Le Nozze de Figaro: by Mozart. Conducted by Sir Charles Mackerras in a revival of Luc Bondy's staging, directed by Joël Lauwers. With the Vienna Philharmonic and Opera. Cast includes Dwayne Croft and Barbara Frittoli; Kleines Festspielhaus; Aug 15

THEATRE
Salzburg Festival
Tel: 43-662-844501
● Soon: by Hal Hartley, with music by Hal Hartley and Jim Coleman, and sets and costumes by Steve Rosenzweig. Co-production with deSingel, Antwerp; Perner Insel; Aug 11, 12, 13, 14
● Danton's Death: by Büchner. New, co-production with the Berliner Ensemble, directed and designed by Robert Wilson, with costumes by Frida Parmeggiani; Landestheater; Aug 10, 12, 15

SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
www.santafeopera.org
● Beatrice and Benedict: by Berlioz. New production directed by Tim Albery and designed by Jennifer Tipton. Cast includes Susan Graham. The conductor is Edo do Waart; Aug 13
● The Magic Flute: by Mozart. New production by Jonathan Miller, with sets by Roni Toren and costumes by Judy Levin. Cast includes Sheri Greenawald; Aug 10, 15

SCHLESWIG-HOLSTEIN

CONCERTS
Schleswig-Holstein Music Festival
Tel: 49-431-567 080
● Anne-Sophie Mutter: recital of Beethoven violin sonatas; Kiel, Schloss (Aug 14), Flensburg, Deutsches Haus (Aug 15) and Lübeck, Musik- und Kongresshalle (Aug 16)
● Cologne Chamber Orchestra: conducted by Helmer Müller-Brühl in works by Vivaldi and Bach. With soprano Barbara Schlick, flautist Patrick Gallois and oboe soloist Christian Hommel; Schleswig, Dom; Aug 10
● Cologne Chamber Orchestra: conducted by Helmer Müller-Brühl in works by Bach. With soprano Barbara Schlick and flautist Patrick Gallois; Hasselburg, Scheune; Aug 11
● Philharmonie der Nationen: conducted by Justus Frantz in works by Brahms; Sylt, Westerland, Halle 401 auf dem Flugplatz (Aug 12) and Lüneburg, Marktplatz, Open Air (Aug 14)

TOKYO

EXHIBITION
Metropolitan Art Museum
Tel: 813-3823 6921
The Carmen Thyssen-Bornemisza Collection: touring show of 94 paintings. Highlights include 19th century Spanish works; to Oct 4

VERONA

DANCE
Teatro Romano
Tel: 39-045-800 5151
www.arena.it
Romeo and Juliet: by Prokofiev. Robert North's choreography, created in 1990, is presented here for the first time in a production designed by Andrew Storer. Romeo and Juliet are danced by Benito Marcelino and Mia Johansson; Aug 16

OPERA
Arena di Verona
Tel: 39-045-800 5151
www.arena.it
Tosca: by Puccini. New production by Giuliano Montaldo.Cast includes Ruggero Raimondi and the conductor is Zubin Mehta; Aug 14

TV AND RADIO

WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

Singing the blues

World Cup victory has given new confidence to France. This is just as well, says **Dominique Moïsi**, as the country faces challenges from Germany and the UK

Life had been grey. In the space of a jubilant night of victory for the World Cup life became blue, the colour of the French football team's strip.

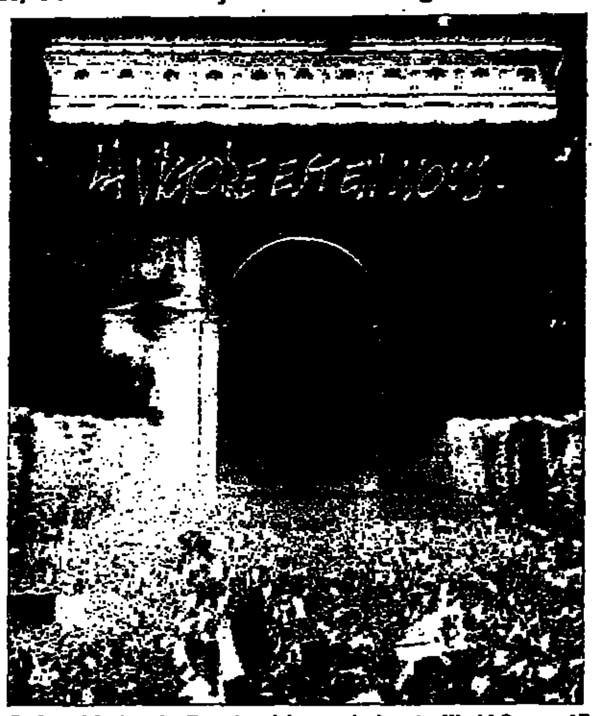
The French had been morose, uncertain about themselves, their role and status in the world. Suddenly they regained self-confidence and started to feel good again. To the fundamental question of identity – who am I? – the French gave an original, albeit limited, answer: "We are the world champions in the most global, prestigious and popular sport, soccer."

This feelgood factor had a moral dimension, with domestic political overtones. The French team was, in the words of Jacques Chirac, French president, not only tricolour, it was multicolour – an allusion to its multi-ethnic composition, perceived by many in France as the best answer to the racist, xenophobic campaign of the Front National.

In the largest spontaneous demonstration since the days of liberation in 1944, the French expressed a strong need for self esteem and self congratulation. Today, only sports can provoke strong collective emotions; hence the jubilation over this victory went well beyond soccer itself to tap sentiments formerly exhibited in patriotic, ideological or even religious battles.

It is, therefore, no surprise that the popularity ratings of the French president and prime minister have soared. This is due not only to the World Cup effect but also to an increasingly obvious economic recovery, which has begun to affect, if only modestly, the rate of unemployment.

Mr Chirac and Lionel Jospin, the prime minister, have established a new equilibrium of power between themselves, one that seems to satisfy the French and that lies somewhere between the spirit of the Fifth and the Fourth Republics. The prime minister governs fully, whereas the president, the ultimate authority, incarnates France in a warm, friendly and activist manner.



Feelgood factor: the French celebrate winning the World Cup AP

For France's European partners, this summer's changes are good news. The more confident France is, the easier it should be for others to deal with it. Yet this positive change comes with less welcome overtones. At the very moment France has regained a sense of self-confidence, it is confronting with concern, if not diffidence, its closest partner *and neighbour, Germany*, while also contemplating with some irritation the new assertiveness of Tony Blair's Britain.

The possibility of the imminent arrival of a post-Kohl Germany troubles the French. What the French fear most is not the victory of Gerhard Schröder, challenger to Chancellor Helmut Kohl in German elections next month, and the return to power of an SPD led by a *largely unknown figure*. After more than 16 years with Mr Kohl in power, it is only natural that his principal partner, France, should worry about the passing of such a reassuring and pre*dictable leader*.

What the French fear is the closing of an era in Germany. In French eyes, Mr Kohl managed a double feat: he accelerated the process of *German unification while at* the same time controlling, if not delaying, the potentially negative consequences of the newfound German sovereignty on the national psyche.

The jubilation over this victory went beyond soccer to tap sentiments formerly exhibited in patriotic ideological or even religious battles

The end of what some in Germany denounced as the era of national masochism has a special meaning for France and for the future of Europe. Can Europe survive with two Frances instead of one – that is, with a Germany increasingly behaving as France does today in terms of its national self-assertion and even a grow*ing self-righteousness?*

The diffidence that may exist towards the UK is of a completely different nature and stems largely from the ideological competition between the two lefts in *power. Whatever the extent* of the improvement in the personal relationship between Messrs Blair and Jospin, the Socialist party in France continues to resent any attempt to impose Blair*ism and its programmes on* it.

In deeds, if not in words, there is little that distinguishes the economic policies of Dominique Strauss-Kahn, Mr Jospin's powerful economics *and finance minister*, from those of Tony Blair. The Labour experience in the UK cannot be openly accepted as a source of inspiration, when in reality it offers a mirror reflecting Mr *Jospin's own pragmatic* choices on most, if not all, counts.

To work with the market, French style, or to work for the market, British style, the differences lie more in the *two countries' national mentalities* than in the concrete policies that they actually carry out.

France is concerned about Germany's and the UK's present direction for an additional reason: the growing entente between London and Bonn, which it can only *interpret to its detriment*. The French have watched warily the joint accords made by the Frankfurt and London stock exchanges, as well as the closer co-operation of the German and UK aeronautics and defence industries. The World Cup effect has yet to spill over into the world of financial and geopolitical power.

The author is deputy director of the Paris-based Institut Français des Relations Internationales and editor of Politique Etrangère. He writes here in a personal capacity

LETTERS TO THE EDITOR

Two currencies for EU may be answer for cyclical problem

From Mr Jon Livesey.

Sir, *At the start of this UK* parliament, the new Labour government announced itself *to be broadly in favour of* the UK eventually embracing the euro, but it also transferred control of interest rates to the Bank of England, along with responsibility for keeping inflation *under control. The result* has been what anyone could have predicted, and what some of us actually did predict: as the rest of Europe started to come out of its recession, the UK's underly*ing inflation started to rise*, interest rates were raised, and, once more, the UK is headed for a contraction just as the continent is headed for an expansion.

So, *for yet another business cycle*, the UK will be out of step with Europe, and once again it will be seen to *be impossible to have a single interest rate* that suits both the UK and the rest of the EU, and so impossible to have a single currency and a single central bank to control what actually remain *two counter-cyclical economies*.

Sooner or later New Labour is going to realise that the UK and non-UK EU economies are counter-cyclical for good reasons. *When the pound* is weaker, the UK expands. When the rest of the EU expands, the snake currencies weaken, foreign investors switch to the pound, and a strong pound puts a limit on UK *growth. This cycle can go on* indefinitely and it's not necessarily a bad thing. It may in the long-term be preferable to have two counter-cyclical internal European economies to having all of Europe endure boom and bust in lock-step.

Yet this is not an argument for giving up the other EU benefits of reduced tariffs and unified standards. Instead, maybe it's time to think about an EU with two currencies – the euro for the core, and the pound for the periphery.

Jon Livesey,
880 San Lucas Ave,
Mountain View CA 94043,
US

Making the worst of a respectable argument

From Mr John W. Wood.

Sir, In "We must slay this monster" (July 30), Senator Jessie Helms makes the *worst of a respectable argument*: that the loose and compromised *drafting* of the Rome Treaty could have the inadvertent, or surreptitious, effect of creating an international *order. He says the order would subordinate the* actions of sovereign states, and even the UN Security Council, to the judgments and censures of a group of unrepresentative, unelected, international jurors, without that diminution of a nation's sovereignty being properly *debated or appreciated.*

This argument may or may not prove valid, but it *is* the proper concern of a nation with the special capabilities and responsibilities of the US, and as such, also *the proper concern of the* chairman of the Senate foreign relations committee of that country.

It is ironic that even distinguished diplomatists among your correspondents, who reject Senator Helms's arguments, appear to have *accepted* a tinge of his bombastic, rhetorical style; perhaps they believe, as Aristotle did, that rustic sceptics deserved punishment rather than counter argument.

John W. Wood,
chairman,
Republicans Abroad,
310 First Street SE,
Washington DC 20003, US

Plan means virtual ban on cotton imports

From Mr Mathew Kallumpram.

Sir, You reported ("EU's cotton imports row in final phase", July 28) that the European Commission proposes "minimum price undertakings" that are less *severe than anti-dumping* duty and that "proceeds from higher selling prices go to manufacturers".

The minimum prices proposed by the Commission in its "Disclosure document" are very much higher than market prices and those manufacturers in the five countries will not be able to make any sales.

A drastic fall in imports from the five countries will create a shortage of *unbleached cotton fabrics* and the threat to "200,000" jobs in the whole textile manufacturing industry mentioned in your report will become a reality. The Commission's efforts to save face by insisting on the proposal of anti-dumping duty and the more stringent "minimum prices" on imports of a raw material will create large unemployment and price inflation.

It is to be hoped that the *Commission will withdraw* its proposal.

Mathew Kallumpram,
Premier Textiles,
61 Bloom Street,
Manchester M1 3LY, UK

Government decision destructive

From Mr Andrew McNulty.

Sir, At a recent ministerial meeting of the OSPAR Commission – the body responsible for regulating the disposal of waste in the north-east Atlantic – in Portugal, the UK government, with no prior public consultation, committed the UK to an international obligation not to use concrete-fixed offshore structures in the oil and gas industry.

It appears that this decision was based on the assumption that complete removal of concrete-substructures is not possible. Arup totally disagrees. There is no technical reason why a concrete structure properly designed for decommissioning should not be refloated and re-installed elsewhere or brought back to a dry dock for onshore disposal. We would further argue that removal of such self-buoyant structures should be easier than for large steel jackets.

At a stroke, the government has destroyed a potentially significant civil engineering market in north-west Europe and threatened its existence elsewhere – in a field where UK companies have developed expertise. The fact that the decision was taken without open consultation and for no apparent justifiable reason is particularly galling.

Is this really the government that, in opposition, set such store by a freedom of information act? We can only hope the global body effectively responsible for decommissioning offshore platforms, the London Convention of the International *Maritime Organisation*, demonstrates more sense.

Andrew McNulty,
Arup Energy,
13 Fitzroy Square,
London W1P 6BQ, UK

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'), e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

PERSONAL VIEW EUNAN KING and DERMOT O'BRIEN

On the crest of a wave

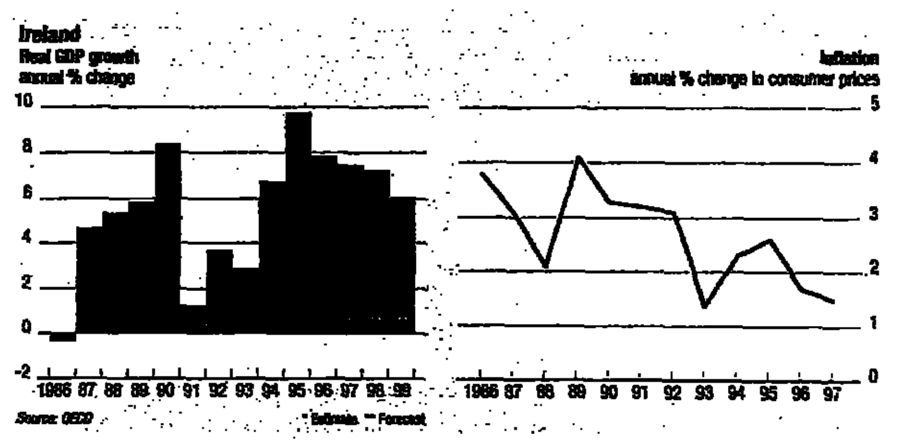
Speculation is rife that Ireland's economy is overheating, but the boom may be far from over

With high growth rates taken as *prima facie* proof of overheating, there has been much media comment that Ireland has a bubble economy – fuelling speculation that it will soon burst.

We beg to differ. For the Irish economy, how fast is too fast? And what is its sustainable growth rate?

The average annual *growth rate in the 1986-96* period was 5.5 per cent. During this period the inflation rate was on average 2.7 per cent – 1 percentage point below the European Union average – and wage inflation was moderate. The balance of payments was in surplus. In the years 1994-97 growth of real gross domestic product averaged 8.4 per cent a year. The consensus view in the media is that this runaway train will crash.

However, the economy may not be as much above its sustainable track as many believe. In Ireland there is a startling supply-side story. Ireland, like the *US in the 1960s and 1970s*, has a wave of baby boomers, aged between 15 and 24, working through the population. By 2006 the labour force is likely to be as much as 27 per cent larger (2.5 per cent *growth a year) than it was in* 1996. If productivity continues to rise at 3.5 per cent a year, the economy can grow at a sustainable 6 per cent trend rate a year until 2006. By contrast, the population *in the EU will be smaller* than in 1996.



Source: OECD * Estimate ** Forecast

Irish growth of more than 6 per cent should be sustainable for a period given the initial level of unemployment and immigration. *Unemployment* fell to 170,000, 10 per cent, at the end of 1997. Of the 170,000 out of work, 130,000 were under 44 and 90,000 had been unemployed for more than a year – with 130,000 seeking *full-time* work. Since the labour force is growing by more than 40,000 per annum and employment is rising at more than 50,000 per annum, unemployment should fall by 10,000 a year if net migration is zero. In 1996-97, net immigration of people of working age was 7,000 or 0.5 per cent of the labour force.

Anecdotal evidence suggests immigration is rising - so although the numbers joining the workforce are significant, unemployment is still high. In the aggregate it is difficult to argue that Ireland is near an employment bottleneck. As well as a favourable supply side effect, the baby boom has implications for demand. The population wave will convert into a population bulge within 10 years. The boom in clubs and restaurants, and the rise in housing demand and car registrations is not just tourist-led.

Discretionary expenditure is rising sharply in Ireland, not only because of higher incomes, but also because of *a drop in the birth rate since* its peak in 1980. The birth rate is less than two, implying the population will eventually fall if this persists. The lower birth rate has been accompanied by an *acceleration in female participation* in the workforce, mainly by married women. However, the average, at under 40 per cent, is below the EU and very much below the UK, at 54 per cent.

Though labour supply at the aggregate level is plentiful, there are some sectoral labour shortages, such as the building industry. While hourly earnings in the sector rose 9 per cent in 1997, the housebuilding cost index rose only 4 per cent, suggesting much of the earnings rise was based on higher productivity. The industry employs less than 100,000 people so a small rise in immigration would have an impact on the supply of labour. The high-technology sector is also reporting labour shortages but this is not unique to Ireland and does not imply an adverse relative cost shift.

If growth is as rapid as suggested in Ireland, significant infrastructure changes will be required. This may be a problem in the availability of zoned land for housing and commercial development – even though the government announced some changes recently. The car population is also rising and *could* reach 1.6m within 10 years, compared with about 1m in 1996. This will cause congestion unless transport policy is altered.

The budget is in structural surplus and on unchanged policies this could reach more than 7 per cent of GDP by 2003, if a growth rate of 6 per cent is achieved. Debt to GDP would have fallen to about 25 per cent at that stage on unchanged policies.

But a balance will have to be struck between debt repayment, infrastructure spending and tax cuts because the baby boom *impact will* begin to fade after 2006. What can go wrong? Rapid growth in credit, fuelling a boom in house prices, is a risk, but is probably exaggerated.

There is evidence in 1997 data that borrowers were putting a rising equity stake into house purchases and there was a *sharp switch* in the number of loans to high income groups. This tends to squeeze out those on lower incomes and may fuel wage pressures. However, changes in tax incentives to personal investors in the housing market have dampened the pace of rising house prices.

The pick-up in consumer prices in the first half of this year is seen as the product of rapid growth. However, more plausible is that the 6 per cent fall in the trade weighted exchange rate since 1997 is the reason. The small open economy model of inflation puts exchange *rate changes and inflation* in trading partners as the main determinants of inflation. This has been verified for Ireland in research by the Central Bank in the past year. There are few smaller *economies than Ireland.*

Recent inflation data show service sector prices rising more slowly than goods prices. Hardly a sign that the labour market is tight and that wage inflation is pushing up *prices in the* sectors of the economy protected from the winds of trade competition. A downturn in the world economy would of course adversely affect the Irish economy.

Almost half the *recent fast* growth was due to chemicals, computing and electrical engineering. However, these sectors, dominated by foreign-owned companies, are numerous and the economy *would not be drastically* affected if some transferred.

Pure assembly is diminishing and this is not a negative, since Ireland's competitive position rests on the educational composition of the workforce. If traffic and housing difficulties are overcome, Ireland can enter the next *millennium* on the crest of a baby boom wave.

The authors work for NCB Stockbrokers, Dublin

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday August 10 1998

The scourge of terrorism

The terrorist attacks on US embassies in Kenya and Tanzania pose monumental challenges for President Bill Clinton. Not only does he have to explain the failure of the world's most sophisticated security apparatus and intelligence network, he also has to prepare the nation for what could be a long and arduous process of bringing those responsible to justice.

The US record in determining responsibility for terrorist attacks has been poor. The investigation into the 1996 bombing of a US complex in Dhahran, Saudi Arabia, appears stalled. Initial assumptions of Sunni dissident involvement were undermined by arrests of Shia opponents of the regime and hints of Iranian links. Unconfirmed reports have claimed a breakdown in US-Saudi co-operation. The Libyans allegedly behind the blowing up of Pan Am flight 103 over Scotland a decade ago also have yet to be brought to trial.

US policy on past terrorist acts has often focused on searching for a state link, with Iran and Libya topping the list of suspects. But Libya has kept a low profile in recent years and Iran, with a new moderate president, is improving ties with the US.

The US is right to be moving cautiously and hinting that the investigation could take years. It is also right to refrain from public speculation about suspects. Arab groups in the US have warned against pointing the finger at the Middle East. But a claim of responsibility from an unknown Islamist group and speculation among counter-terrorism experts have nevertheless focused attention on Islamist extremist organisations.

In the post-cold war era, the US role as the world's policeman makes it increasingly vulnerable to terrorist acts, especially from groups angered by what they perceive as American support for illegitimate rulers. Dealing with this threat will require a reassessment of intelligence policy, which now relies heavily on technology such as satellite surveillance. It should shift back to traditional work with informers and infiltration.

The US also needs to enlist stronger support from its allies in dealing with the terrorist threat. Attacks on the US are not a matter for Washington alone. Similarly, any eventual retaliation will be more effective if carried out on a multilateral basis.

This is all the more important at a time when the US is feeling its way towards delicate decisions on issues such as relations with Iran. There will no doubt be increased pressure in Congress unilaterally to punish states accused of sponsoring terrorism and companies that work with them. This would not help combat specific actions such as those perpetrated in Africa on Friday. And it would undermine the broader international campaign against terrorism.

Promoting drugs

American consumers are being deluged with advertisements for prescription drugs. The Food and Drug Administration reluctantly opened the floodgates last August by allowing companies to promote medicines on television, and the pharmaceuticals industry has responded by pouring an estimated $1.3bn into consumer advertising this year. Meanwhile in Europe the industry is gearing up for a lobbying campaign, aimed at relaxing an EU ban that prevents it using the mass media to disseminate any information about prescription drugs.

The politics and economics of healthcare in Europe are not quite ready for full-blooded television advertising. But some relaxation is clearly overdue in the internet era. It is absurd that companies' web sites, giving medical data about globally available drugs, have to carry official warnings that the information is for US residents only.

The argument that forced the FDA's hand in the US was that any form of advertising that does not cause harm should be allowed on freedom of information grounds – and no one could prove that drug ads would harm consumers, so long as they mentioned the main risks and did not exaggerate the benefits.

In Europe too, the movement to give patients more information – and therefore power to influence their own treatment – is gathering pace, though there is still more old-fashioned deference to the medical profession than in the US. In the short term, it is easy to see why hard-pressed doctors might prefer to deal with unquestioning patients than informed consumers who take up more of their time. The profession must understand, however, that a better informed, if choosier, population is likely to be healthier in the long run.

Any link between drug advertising and improved public health will take a long time to prove. But the US experience already suggests that television advertisements can pay off quickly for pharmaceuticals companies, in the form of a sharp increase in prescriptions.

Demand for expensive new drugs is growing fast even without advertising, and European health services could not afford a further surge fuelled by direct promotion. Allowing US-style TV ads in Europe would be a mistake until the whole co-payment system has been reformed. Patients who can afford to do so will have to contribute more to prescription costs – especially for what are becoming known as lifestyle drugs. For the time being, Europe should consider allowing a more informational style of advertising, raising awareness about particular diseases and available treatments without plugging one product.

Super League

Success in football comes at a high price. Clubs face ever rising wage bills for the best players. Those listed on the stock exchange, like Ajax and Manchester United, have an added shareholder imperative. A breakaway European Super League might help meet these goals. But the existing framework offers a more assured future.

The challenge for football clubs that hope to stay at the top is to find ways to increase revenue. Since there is a limit to the number of games that can be played and replica kits sold, television and sponsorship are the obvious route. UK clubs now get 20 per cent of their revenue from television. Italian clubs make a third of their money this way.

This summer's Super League plot was hatched by Media Partners, a sports management firm. It aims to increase the earnings of a small group of powerful clubs. The teams would meet in a midweek league, eclipsing the Uefa Champions League and operating independently of European football's governing body. A place in the competition and more money would be guaranteed for those invited.

That the big clubs are taking the suggestion seriously comes as no surprise. They have long complained at Uefa's poor management, and are frustrated by what they say are the inadequate rewards of European competition. In the Champions League, about two-thirds of sponsorship and television fees are passed on to the clubs. In the Super League, virtually all cash raised would go to the competitors.

Of course, much of what the Super League offers could be achieved within Uefa's existing framework. The breakaway proposal involves a good measure of sabre-rattling. The pressure may be working. Uefa seems increasingly ready to soup up the Champions League, with more games and lucrative pay-per-view television contracts. The sticking point is likely to be on qualification.

Qualification for the Champions League means the kind of uncertainty that fans love, and investors hate. Indifferent form can lead to financial disaster. But on this point of principle Uefa is unlikely to budge.

This is quite correct. For football fans – whose enthusiasm provides the foundation for football's popularity and wealth – part of European competition's attraction is that it comes as a reward for domestic success. Places for those with market power, irrespective of performance, would damage the credibility of the competition. A guaranteed income stream might be nice in the short run. But the risk for the longer term is that by breaking the rules of fair play, a closed shop would sap the enthusiasm of fans and sponsors alike.

That sinking feeling

The fall in the yen can only be stopped by US and Japanese intervention. Simon Kuper and Gillian Tett look at the possible grave consequences for the rest of Asia if they do nothing

It was, said one economist, the least convincing performance by a cabinet minister that he could remember. Ten days ago, in the middle of the night, Kiichi Miyazawa gave his first news conference as Japan's finance minister. The 78-year-old spoke haltingly, said he would try his best, referred to his age, and then, like a thunderbolt at the end of drizzle, suddenly revealed that he did not believe in intervening to support the yen and stocks.

Dealers watching him on television instantly sold yen. Mr Miyazawa, who had not seemed to foresee this, later claimed his words had been misinterpreted. Japan would still intervene when necessary, he insisted.

Since that night the currency has plunged Y5 against the dollar, and now stands only Y0.5 above its eight-year low of Y146.75. The yen last hit that level in June, before the US and Japan intervened to support it.

The Bank of Japan has made forays into the foreign exchange market three times since December 1997 to sell some of its $200bn-plus in dollar reserves. Now the moment of truth has come: how far will the US and Japan be willing to let the yen sink before they intervene again?

The question matters beyond Tokyo, Washington and the currency desks of trading banks. Another sharp fall in the yen – perhaps below Y150 – could push China to devalue the yuan. No one knows precisely what level of the yen would prompt that, but it would have great consequences worldwide, and particularly in the rest of Asia.

Chinese officials have warned that the yen's slide is making their own currency less competitive. Goldman Sachs, the US investment bank, says every 10 per cent fall in the yen against the dollar in effect makes Chinese goods about 2.5 per cent dearer abroad. The yuan and the Hong Kong dollar are already overvalued, Goldman adds.

If China devalued, as it did in 1994, the HK dollar would almost inevitably lose its 15-year-old peg to the US dollar. Many other Asian countries might then devalue for the second time in a year, and that could render them unable to pay back their dollar debts. On Friday, Vietnam devalued the dong 9 per cent – a foretaste, some say.

Worryingly for Asian finance ministers, the yen looks sickly. Goldman last week sharply revised down its forecasts for the currency, which it now expects to drop to Y155 against the dollar in the next three months.

Yen bulls are virtually extinct, for three reasons. First, almost no one expects Japan's economy to recover soon from its worst recession in 50 years. Second, Japan's "Big Bang" in April, prompted partly by the crisis, has made it easier for Japanese to invest in foreign currencies. And third, Tokyo's enthusiasm for intervention seems to be waning.

Japan's new government appears keener than its predecessor on trying to stimulate the economy. Keizo Obuchi, prime minister since last month, pledged on Friday some Y7,000bn new tax cuts next year and Y10,000bn more "stimulus measures" this autumn. A Y16,700bn stimulus package unveiled in the spring may ease the downturn in the autumn.

However, all that may not be enough. Next year's Y4,000bn planned tax cuts will do little more than replace this year's "temporary" tax cuts. The public spending sector packages are unlikely to boost growth for long by themselves.

In any case, much of the stimulus will take effect only next April, which currency traders regard as an age away. The domino of devaluations could have happened by then.

Japan's deep-seated banking problems, in the form of Y88,000bn in problem loans, also hangs over the economy. Western investors and diplomats want the ruling Liberal Democratic Party to close insolvent banks and force others to write off large amounts of bad loans. But that could cause job losses, force companies into bankruptcy, and thus prolong the downturn.

The government could find a way out of the dilemma if it uses some of the policy tools it is now creating, such as the so called "bridge bank". This is a scheme to smooth the impact of bank failures, by creating government institutions that would take over insolvent banks and try to sell them, while maintaining credit lines to healthy borrowers.

Mr Obuchi has not yet shown the political touch, courage and vision to prove that he can walk this policy tightrope. And his finance minister lost much respect in the market through his early dithers, says Jeremy Hawkins, chief economist at Bank of America in London. If Mr Miyazawa or Mr Obuchi put another foot wrong, the yen could suffer.

Even if they do everything right, the economy will not pick up quickly. There is no chance of the official discount rate rising soon from 0.5 per cent, where it has been stuck for more than two years. With long-term bond yields closing at 1.195 per cent last week, there is almost no incentive for international investors to keep their money in yen accounts while they wait to see what happens to the currency. Bond yields in the US "Goldilocks" economy are almost 4 percentage points higher.

And just when incentives abound to sell yen, the Big Bang of deregulation on April 1 has helped Japanese investors to do so. They no longer need prior approval to invest overseas, although the Big Bang rules contain several "catches": for instance, investors must now report investments to the tax office.

So far, the Big Bang has triggered only modest capital flight from Japan. Net portfolio outflows jumped to Y3,700bn in April, but fell to half that level in May.

Mr Obuchi has not yet shown the political courage and vision to walk this policy tightrope

However, Japanese consumers and companies tend to react slowly to regulatory change, so more flight is possible later this year. "Companies are definitely moving to put more money overseas – it has become like a fashion," says Minoru Mori, president of Daiwa International Capital Management. "I think the proportion (of non yen assets) for some companies will rise to about 35 per cent this year or even 40 per cent (from 30 per cent before.)"

Many consumers are curious about the new "foreign" products on offer since "Bigu Ban". The counters of banks such as Fuji or Sanwa are plastered with colourful signs extolling customers to purchase "high yielding" instruments in sterling and dollars.

Along with many middle-class, internationally-aware Japanese, Toshihiko, a Tokyo translator, has recently opened a foreign currency account with Citibank, and turned part of his yen savings into dollars. "When the dollar went to Y140 I thought 'that's it!'," he says.

The economy and the Big Bang are two strikes against Japan. If Tokyo has given up intervention except in "extreme situations", as Mr Miyazawa initially said, that would be strike three. But no one is certain yet.

The finance minister seems to have learned that the threat of intervention is currently the yen's only hope. He and officials now warn constantly that Japan might intervene. Traders are listening.

However, Mr Miyazawa's first words were no accident. Some of Tokyo's bureaucrats do seem to have become less keen on intervention.

The Bank of Japan quietly tried to oppose the Good Friday dollar sales, and seems to be winning the internal debate over intervention. There has been silence recently from Eisuke Sakakibara, the senior finance ministry official who in the early 1990s earned the nickname "Mr Yen" for his love of talking up the currency.

In part, the Japanese have simply learned from history. Since the week before Christmas, when the Bank of Japan carried out the first of its three recent interventions, the yen has dropped Y15 against the dollar. The message is clear: intervention only works if it pushes the market in a direction it wanted to move in anyway. That creed is the orthodoxy among central bankers today.

And its strongest adherent is the most powerful voice in the currency market, Robert Rubin, US treasury secretary, formerly of the currencies desk at Goldman Sachs. He believes that Japan can only buoy the yen by reforming its economy, not by meddling in the market.

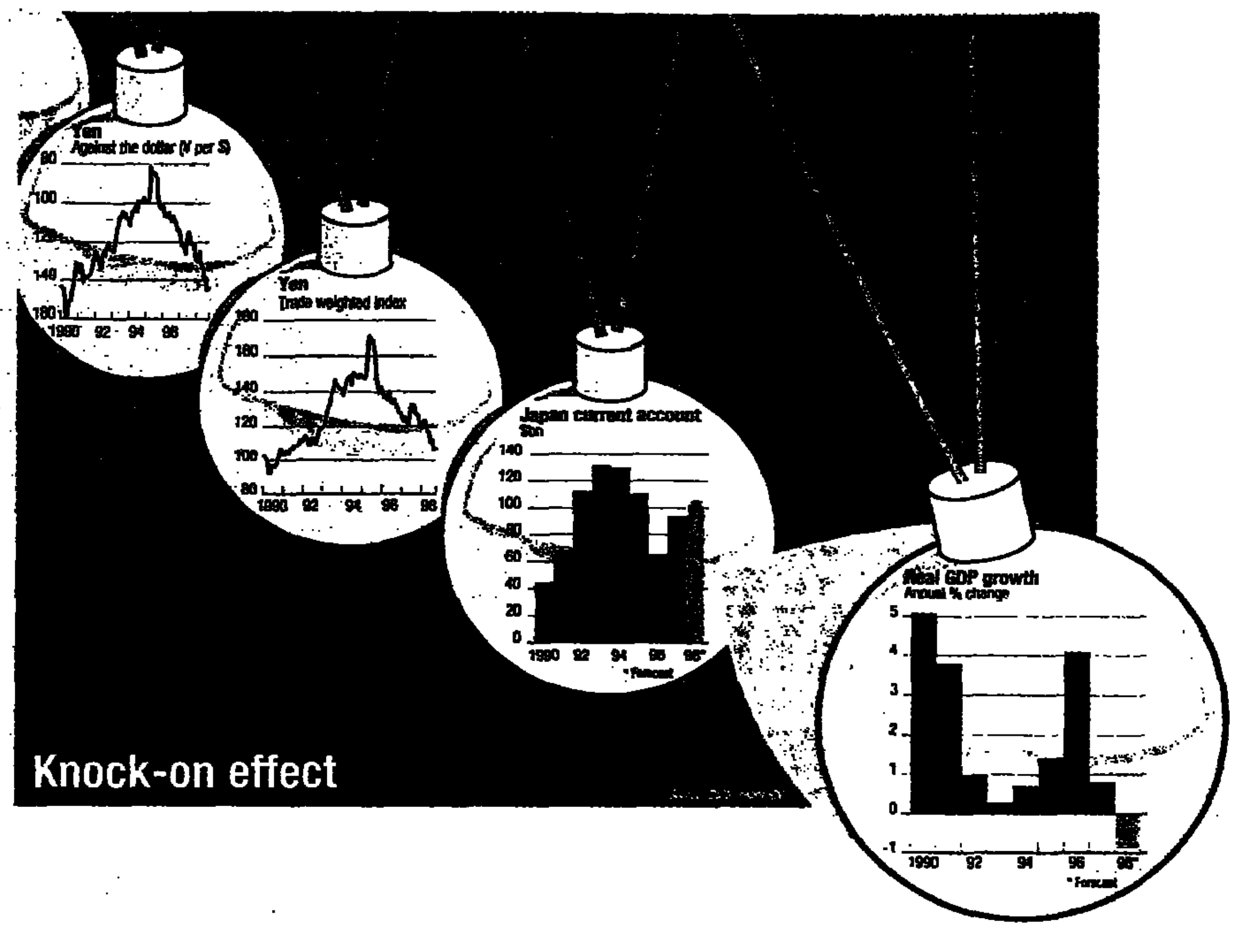
In the meantime, he can probably live with a fairly weak yen. The US economy is running close to full capacity, which means that losing some of its Japan-bound exports may be no bad thing. The US is thought to be unwilling to support more intervention for a while.

Some in Tokyo have even been arguing the benefits of a managed slide in the yen. The Bank of Japan's policy committee, for example, noted in its June meeting that a weaker yen was delivering some economic boost. The bank's newly independent policy board appears to have spent most of its recent meetings mulling whether to cut the official discount rate. It could also expand money supply.

Government officials, including some at the Economic Planning Agency, have expressed interest in the latter notion, even though it would probably hit the yen. "If the yen fell, it might hurt Asia by forcing more devaluations," says one senior Japanese government official. "But if Japan does not recover this will hurt Asia anyway."

To some degree, Tokyo and Washington have little choice but to live with a weak yen. The bigger question for Mr Rubin and his deputy, Lawrence Summers, is how far they can allow the yen to slide before China devalues.

Jiang Zemin, Chinese president, repeated yesterday that he was determined to avoid devaluation. However, the implicit threat that China might "go" gives the country a new diplomatic influence in its dealings with the US and Japan. But the main responsibility for what happens next lies with Japan.



OBSERVER

Clause out for Lester

Let's hear it for Lester M. Alberthal Jr. The announcement of his "retirement" at the age of 54 as chairman and chief executive of Electronic Data Systems sent the share price winging up on Friday by more than $5 to nearly $42 – reflecting investors' discontent over his lacklustre leadership in recent years and delight at the news of his going.

Small-minded people are already objecting to one detail of his departure, a compensation package that could be worth more than $38m. But this represents a wonderful investment: for an after tax cost of about 5 cents a share, EDS has increased its stock market value by nearly 14 per cent.

Indeed, there's a good case for widespread use of what Observer dubs the Alberthal clause. Chief executives' farewell packages should be adjusted to reflect the stock market performance of their share price the day after the news is announced. If it goes up, they benefit: if it goes down, they lose. This will encourage good people to stay and bad people to go.

Precautions would have to be taken against price manipulation. For example, a chief executive who was arrested for naked bungee jumping the week ahead of an announcement would not qualify. But that's a technical detail. In fact, there is only one serious flaw in the Alberthal clause. That's the guarantee he'll never go to work for a competitor. That would clearly be very much in EDS shareholders' interests.

Tasty tussle

Ikea, the world's largest furniture retailer, is so proud of its Swedish origins that it ships local delicacies such as *köttbullar* – meatballs to you and me – to serve up in its stores around the world. But while you can tuck in to the tasty little things everywhere from Shanghai to San Francisco, they're definitely off the menu in neighbouring Norway.

Ikea reckons Norwegians would happily chomp their way through 35 tonnes of the meaty morsels a year, but it won't send them because it's objecting to a tough customs duty on prepared foods. The privately-owned company, backed by the Swedish government, has complained to Oslo about what it calls a "punishment tax".

Ikea points out that it buys 500 tonnes of Norwegian salmon a year. "We've have made no threats about the salmon," says Lennart Jangalv, head of Ikea food services. "But we would like them to make a goodwill gesture over our meatballs."

Norway appears as immovable as granny's gravy. Further meatball talks are planned, but it looks as though Oslo might find a compromise hard to swallow.

Borderline case

There appears to have been a change of heart at the Malaysian frontier. Not so long ago it was tough for Chinese and Indians to get entry visas, as Kuala Lumpur feared an influx of over-stayers adding to the already large Indian and Chinese minorities.

Now Chinese citizens can get tourist visas from Malaysian embassies – though those living in Singapore, Thailand and Hong Kong have to enter with tour groups. And Indian businessmen or officials, who used to rely on tourist visas unless they had Malaysian sponsors, can get multiple-entry visas. Nothing like an economic crisis for encouraging countries to put out the welcome mat.

Cash register

Singapore's prime minister Goh Chok Tong wants his money – and he's entitled to it, according to the island state's highest court. It decided that his leading political opponent, Joshua Jeyaretnam, acted out of malice when he told a campaign rally that another opposition politician had complained about the government's tactics in last year's elections.

A complaint had, indeed, been made but Goh sued on the grounds that, merely by telling people about it, Jeyaretnam could damage his reputation: people might think he had done something wrong. Jeyaretnam now owes Goh S$100,000 (US$69m) in damages – and the courts half as much again in costs.

But he says he hasn't got the money and that Goh has served him with a "statutory demand" for payment of the damages within 21 days – the first step in bankruptcy proceedings that could end with his resignation from parliament.

Observer seems to recall that a recent report from the US State Department said something about Singapore using legal processes, such as libel and defamation, to stifle freedom of speech and intimidate opponents. Singapore always denies such things happen. That, no doubt, is a comfort to Jeyaretnam.

Unplugged

Investors in India at last have cause to celebrate the country's technological backwardness. The millennium computer bomb isn't going to be much of a problem there, by all accounts.

The chairman of one big multinational recently started fretting about payments to its large distribution network. No problem, assured his bankers, their branches didn't use computers.

The Financial Times 100 years ago

A Scandalous Fraud

A most salutary effect ought to be produced in the bye-ways of the City of London by the sentences on the Lupton gang. After a trial that occupied for a whole week the time of a judge, fifteen counsel, twelve jurymen and about fifty exasperated witnesses, it has been declared as proved that the Lydenberg Consolidated Mines Limited was a fraud from start to finish – a conclusion that hardly seemed to require so much demonstration. As the result, Lupton himself, who was the arch-conspirator, gets five years' penal servitude. The company's solicitor and another director were each sentenced to a year's hard labour. The sentences were really foregone conclusions in view of the notorious facts of the case about this so-called mining company, which issued no prospectus and appears to have existed merely in the imagination of Louis Simons Lupton, the vendor of the shares. But he was not the only man who took advantage of the Kaffir boom to create fictitious mines in the Transvaal, and it would not be difficult to name other promoters who ought to be doing five years.

FINANCIAL TIMES

MONDAY AUGUST 10 1998

THE LEX COLUMN

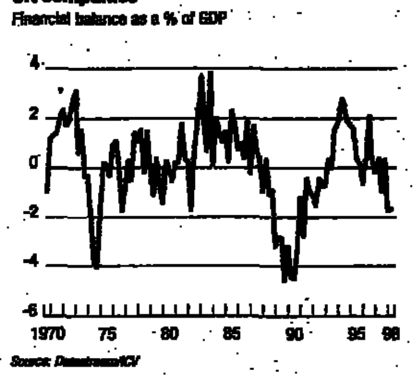
Banking on the rouble

These are tense times for Russia's banks, following Fitch IBCA's downgrades to 10 on Friday. Some smaller ones have already gone under. Unhedged exposure to currency forward contracts and foreign borrowing means the rest would probably follow sharply if the rouble devalues. But even if the rouble holds, fraying nerves could still trigger withdrawal of interbank credits and foreign funding from the weaker-looking financial industrial groups, Russia's version of the Korean chaebol.

On the bright side, one advantage of Russia's undeveloped banking system, if it collapses, is its limited role in the real economy. Most banks are still basically speculative trading houses, rather than western-style universal banks offering full retail and corporate banking services. Only a handful have attracted significant household deposits. Without capital, credit skills and collateral for loans (even if anyone could afford them given usurious real interest rates), it is no surprise that the banks have failed to provide long-term investment for the economy.

With two-thirds of retail savings held abroad or under the mattress, the average Russian now has relatively little at stake in the banking system. Since 75 per cent of the remainder is held with state-owned Sberbank, which benefits from a unique deposit guarantee, retail investors are unlikely to run first. How long interbank credit and foreign funding can be maintained is another matter.

UK companies
Financial balance as a % of GDP



Source: Datastream/ICV

Saab

Saab's turnaround seems to be always just around the next corner. General Motors, which manages the Swedish carmaker it owns jointly with Investor, must be getting impatient. Saab last showed a quarterly profit in 1995. And a higher than expected first-half loss – nearly Skr1bn ($126m) from Skr600m a year ago – makes a target of being profitable in the last quarter of 1998 and throughout 1999 look a stretch.

With the best years of this economic cycle squandered, ensuring decent returns on heavy investments in a less favourable consumer environment will be hard. No repetition of the Danish strike that slowed production of its sporty new models will help. But more must be made of links with GM to improve Saab's purchasing and production costs. As a low-volume producer with all the marketing costs of its larger competitors, it must exploit available synergies while not compromising the distinctiveness of its own brand.

GM may be preoccupied with its own domestic problems – notably low productivity, too many competing brands and declining market share – to focus on its interest in Saab. However, it has already shown with Opel in Germany that it can take the necessary tough steps to produce competitive European cars. Since Investor is likely to exercise its right to sell GM its 50 per cent holding next year, the cost of neglecting Saab's problems will only mount.

UK profits and cashflow

The squeeze is on. This results season has been peppered with cautionary statements. Not only have profits started to fall as a percentage of GDP, but companies are sliding more deeply into a cashflow deficit.

Should the alarm bells be ringing? Not yet. Both profits and balance sheets are being whittled down from positions of strength. And interest cover of 6-7 times has been comfortably above the historic average of five. It is helpful that interest rates look set to fall.

Managements will no doubt act to limit the damage to profits by cutting costs, and to cashflow by destocking and curbing capital spending. The danger lies in the knock-on effects if this brake on demand stays on for long. But will corporate belt-tightening threaten the swelling tide of share buybacks? Probably not, because tax changes from next April will remove a final barrier. Two typical buyback scenarios remain: passing on the proceeds of refocusing – witness BTR – and plump balance sheets in financial services – Royal & Sun Alliance, for instance.

On top of this, other managements might follow GEC in announcing a buyback alongside a dividend cut. Such "flexibility" would make it easier for a company to skip part of its distribution for 1999 if the current slowdown does turn into something worse. Now that really would test the theory that dividends have lost their hold.

UK property

The bears have sunk their claws into the UK property sector, causing it to underperform the market by 25 per cent in the past six months. But the worst should now be over.

Valuations may have been stretched in January when premia to net asset values implied growth in 1998 capital values of between 10 and 20 per cent. The growth rate for 1998 will probably be about 8 per cent and half that for 1999. But the larger companies now trade on discounts to NAV of between 15 and 20 per cent. This partly reflects fears that the economic downturn will hold back rental growth. Companies exposed to secondary retail locations and industrial property could stay out of favour.

But in London, a tight market should keep rents growing in the high single digits, benefiting the likes of British Land, Land Securities and MEPC.

Furthermore, the sector is in much better shape than a decade ago. Company balance sheets are not overloaded with debt, and banks have held back from funding speculative development. Property yields are also still higher than gilt yields: as the sector is not experiencing falling rents the gap in yields should provide a floor under current share prices, even if it is not itself sufficient to spark a rerating of the sector. For this to happen, the sector may need more reassuring news on the macro-economic front for shares to come off their lows.

Dealers seek legal review of 'grey' car import limits

UK restrictions unfair to consumers, say independent traders

By John Griffiths in London

Independent motor traders involved in controversial "unofficial" car imports to the UK have applied at the High Court for judicial review of UK government rules restricting their activities.

European Commission officials also believe the UK rules contravene the Treaty of Rome and are expected to urge the Commission to force the UK to rescind them later this year.

The motor traders import about 30,000 cars a year – mainly from Japan – at prices up to one-third cheaper than "official" dealers.

Independent traders handling the imports claim the UK government's restrictions unfairly protect the interests of official importers and manufacturers, at the expense of UK consumers who, they claim, are being "grossly overcharged" for cars.

Car companies such as Toyota, Mercedes-Benz and Mitsubishi have fiercely attacked the imports. They claim some cars might not meet European safety or emissions regulations but primarily fear the undermining of their own profitability.

Mercedes-Benz dealers have been told to report to the manufacturer all "grey" cars brought in for service. Subaru importer International Motors has sacked dealers tempted to sell "grey" cars alongside their "official" allocations, and Mitsubishi Motors has ordered its dealers to raise prices sharply of parts and service to "grey" car owners.

The 70-member British Independent Motor Traders Association said at the weekend it had the backing of industry officials at the Commission for its imports.

The association said that DG3 officials – the industry directorate at the Commission – told it the rules were in breach of Article 30 of the Treaty of Rome requiring free movement of goods within the EU.

Officials of both DG3 and DG15, the directorate charged with the enforcement of EU regulations, are expected to ask the Commission to issue a directive ordering the UK government to rescind them as early as September. Bimta said it expected to learn the timing of its judicial review hearing in the next few days. Richard Moore, a Bimta official, said: "We have decided to use all the weapons available to us to secure an early change of position by the government."

The independent motor traders spotted a loophole in the single vehicle type approval regulations introduced by the UK department of transport in 1996 that would allow them to import cars bought cheaply in Japan and countries outside Europe. However, in response to protests from "official" car importers, the government also imposed a condition that limited to 50 cars a year the maximum number of any single model imported under SVA.

Last year the Labour government indicated it would lift all quantitive restrictions on SVA in amended regulations on May 1 this year. But, under pressure from carmakers, in the weeks immediately preceding May 1 it decided to keep the 50 limit in place.

Report warns of hidden fees in European asset management

By Jane Martinson in London

A leading management consultancy has warned investors to check for hidden charges in the "expensive and antiquated" asset management services in much of continental Europe.

Towers Perrin carried out research into fees for institutional asset management in Switzerland, Belgium, Germany and the Netherlands. It found a lack of transparency and wide variations between declared fees and those actually charged.

Olaf John, the consultant behind the report, said institutional investors who were "not so educated or aware about types of fees" were failing to account for high charges for services like buying and selling shares.

"Even where active management fees may appear low, it is not because they are low but probably because the investor is not seeing all the fees," he said.

Only the largest, more international investors have shown evidence of being able to negotiate lower total fees.

The report is particularly critical of the charging system in Germany for hiding management, transaction and safekeeping costs. It blames the fact that universal banks, which dominate the investment management sector, do not separate the cost of different services. The report also claims that German asset managers have reduced the visible fees in order to ward off competition while maintaining high hidden charges.

In some instances, clients think they are paying less than 20 basis points for management services but eventually pay more than 160 basis points a year, mainly because of high commission charges.

The report also points out the potential conflict of interest when most of the investment managers are subsidiaries of the banks that provide the transaction services.

Mr John also blames a lack of competition and transparency for high charges in Switzerland and Belgium. He believes the ability of traditional asset managers to continue to use hidden charges will diminish with the advent of more competition from overseas fund management companies.

In particular, he believes the growth of global custodians, which process investments, will lead to more performance measurement and demands for greater openness.

Only the Netherlands, which has a larger pool of pension fund assets than elsewhere in continental Europe, came close to the levels of transparency of fund management charges in the US and UK.

The report, which used figures from 90 investment managers and interviews with clients, found that the Dutch managers offered more competitive prices than their Swiss or Belgian counterparts once all hidden costs were included.

Copies of Active investment management charges survey are available from 0171 379 4411

CONTENTS

Waiting for war: volunteers in Congo queue to join the army as the government said it had launched two offensives. Page 2 Picture: Reuters

FT.com
FINANCIAL TIMES

Directory of online services via FT Electronic Publishing

FT.com: the Financial Times web site; online news, comment and analysis.
http://www.FT.com

The Archive: online archive of back issues of the newspaper since July 1996.
http://www.archive.FT.com

Newspaper subscriptions: information, offers and online ordering.
http://www.ft.com/newspaper/subscribe.htm

FT Annual Reports Service: online ordering of annual or interim reports and accounts of 1200 UK plcs
http://www.ft.com/newspaper/222a.htm

Cityline: how to get share prices and market reports by telephone and faxback.
http://www.ft.com/newspaper/2176.htm

Surveys: details of forthcoming editorial surveys.
http://www.ft.com/newspaper/2366.htm

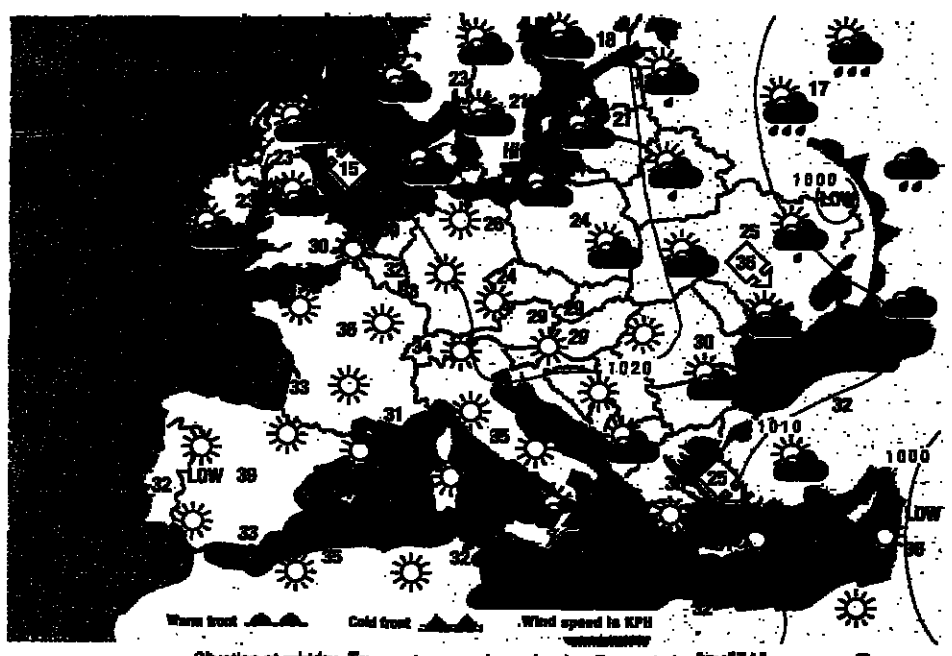
FT WEATHER GUIDE

Europe today

Finland and northern parts of Sweden and Norway will have scattered showers and spells of sunshine. Elsewhere in Scandinavia it will be mainly dry, although it will be cloudy along western coasts of Norway. The Low Countries, Germany, Austria, Switzerland and France will start foggy, clearing to a fine, sunny day. There will be thundery showers in southern Italy, but elsewhere in the Mediterranean and the Balkans it will be dry and mostly sunny.

Five-day forecast

The hot spell in northern Europe will end early in the week. Rain will move across southern parts of the UK and then southwards across western Europe, bringing cooler weather. Scandinavia will become showery. The Mediterranean will remain hot and sunny.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Celsius
Abu Dhabi	Sun	43
Accra	Fair	27
Algiers	Sun	35
Amsterdam	Sun	30
Athens	Sun	36
Atlanta	Fair	31
B. Aires	Fair	19
B.ham	Fair	27
Bangkok	Shower	33
Barcelona	Sun	32
Beijing	Fair	31
Belfast	Fair	21
Belgrade	Fair	31
Berlin	Sun	26
Bermuda	Fair	30
Bogota	Cloudy	19
Bombay	Thunder	33
Brussels	Sun	32
Budapest	Sun	29
C.hagen	Fair	24
Cairo	Sun	37
Caracas	Fair	32
Cardiff	Fair	24
Casablanca	Sun	28
Chicago	Thunder	28
Cologne	Sun	32
Dakar	Fair	32
Dallas	Thunder	37
Delhi	Cloudy	28
Dubai	Sun	43
Dublin	Fair	23
Dubrovnik	Sun	32
Edinburgh	Shower	23
Faro	Sun	30
Frankfurt	Sun	32
Geneva	Sun	34
Gibraltar	Sun	29
Glasgow	Fair	23
Hamburg	Sun	28
Helsinki	Shower	18
Hong Kong	Rain	31
Honolulu	Fair	32
Istanbul	Fair	32
Jakarta	Cloudy	32
Jersey	Fair	21
Johannesburg	Sun	20
Karachi	Cloudy	36
Kuwait	Sun	47
L. Angeles	Fair	28
Las Palmas	Sun	27
Lima	Cloudy	20
Lisbon	Sun	32
London	Fair	30
Lux.bourg	Sun	33
Lyon	Sun	36
Madeira	Sun	26
Madrid	Sun	39
Majorca	Sun	34
Malta	Fair	31
Manchester	Fair	28
Manila	Shower	35
Melbourne	Fair	16
Mexico City	Cloudy	29
Miami	Thunder	33
Milan	Sun	38
Montreal	Fair	27
Moscow	Shower	17
Munich	Sun	32
Nairobi	Cloudy	23
Naples	Sun	34
Nassau	Fair	33
New York	Thunder	30
Nice	Sun	31
Nicosia	Sun	37
Oslo	Fair	23
Paris	Sun	36
Perth	Shower	22
Prague	Sun	24
Rangoon	Shower	30
Reykjavik	Rain	15
Rio	Cloudy	22
Rome	Sun	35
S. Frsco	Cloudy	25
Seoul	Thunder	31
Singapore	Cloudy	31
Stockholm	Fair	21
Strasbourg	Sun	33
Sydney	Fair	19
Tangier	Fair	31
Tel Aviv	Sun	36
Tokyo	Fair	29
Toronto	Fair	28
Vancouver	Fair	21
Venice	Sun	38
Vienna	Sun	29
Warsaw	Fair	24
Washington	Thunder	32
Wellington	Rain	13
Winnipeg	Sun	30
Zurich	Sun	33

FINANCIAL TIMES
COMPANIES & MARKETS

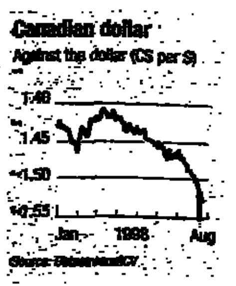
 MONDAY AUGUST 10 1998 Week 33

INSIDE

Chase wins euro clearing contract

Chase Manhattan Bank has won a "substantial" contract from J.P. Morgan, the US investment bank, to handle clearing for all dealing in the planned euro currency. Global banks are streamlining their clearing systems before the introduction of the single European currency next January. **Page 15**

Bank props up Canadian dollar



At the end of last week the Canadians intervened in the market at all levels to buy their ailing currency, whose slide has been long rather than steep. Recently the Canadian dollar has hit a post-1858 low almost every day. The central bank is now the main buyer in the market, so traders will simply have to calculate if it will buy more than they can sell. **Currencies, Page 20**

Project financiers hit by Asia

The Asian crisis has presented project financiers with collapsing currencies and economic growth rates throughout most of the region, sending the value of infrastructure projects plummeting. The denouement is going to be painful for the banking sector. **Project Finance, Page 16**

Siemens shake-up raises new ideas

The decision last week by Siemens, the German electrical engineering empire, to close its computer chip plant in the north-east of England, was only one part of a wider overhaul that analysts now expect at Siemens. The 10-point restructuring programme outlined last month by Heinrich von Pierer (*left*), chairman, raised ideas that would have been unheard of a few months ago. **Market Movers, Page 15**

Mexican election woes worry traders

Investors in Mexico are focused on a future in which Mexico's economy and that of the US colossus to its north are expected to decelerate and where political wrangles may disrupt the run-up to presidential elections in 2000 – rather than on a robust set of interim corporate results. **Emerging Markets, Page 16**

Postabank promises finance probe

Shareholders of Postabank, Hungary's troubled bank, have been promised by its new management that an investigation into its finances will be a top priority. **Page 15**

Results to shed light on sectors

Several Footsie companies, such as British Airways and Orange, are set to post results this week that should throw light on conditions in their sectors. Sterling's strength and the Asian woes that have hit recent UK companies' data will still figure. **Companies Diary, Page 18**

FT GUIDE TO THE WEEK

– full listings Page 30

GOLDMAN SACHS TO VOTE ON IPO
Partners at Goldman Sachs, the US investment bank, are today expected to vote at a monthly meeting on whether to sell between 10 and 15 per cent of the group in an initial public offering.
BREAKAWAY ISLAND
Residents of Nevis, the Caribbean island, today vote on whether to leave the St Kitts-Nevis federation and become the world's smallest nation, with 10,000 people.
ARAFAT IN CAPE TOWN
Palestinian president Yassir Arafat begins a visit to South Africa tomorrow.
UK INFLATION OUTLOOK
The Bank of England's official outlook for inflation is published on Wednesday in its quarterly Inflation Report.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

UBS cools on Japanese alliance

LTCB removed from brand names of joint ventures

By Gillian Tett in Tokyo

The future of the first comprehensive 'alliance between a Japanese and a western bank is looking uncertain. United Bank of Switzerland has removed any reference to Long Term Credit Bank from the brand name of its joint venture with the Japanese bank and is considering buying the 50 per cent of the joint venture that it does not own.

The Swiss bank has told clients in recent days that the investment bank joint venture will now be called by its global brand name of Warburg Dillon Read, instead of LTCB Warburg. The asset management joint venture will be called UBS Brinson Asset Management instead of LTCB UBS Brinson. UBS insists that the move "does not change the structure" of the joint venture or "reflect any diminution in LTCB's commitment to the alliance".

However, the switch will fuel suspicions that the alliance could unravel, following an announcement in June that LTCB is discussing a merger with Sumitomo Trust.

Although UBS and LTCB have not revealed details of the joint venture contract, the Swiss bank is understood to have the option of purchasing the stake if LTCB goes ahead with its merger with Sumitomo Trust.

The UBS management is reluctant to make any immediate decision on the alliance, partly because it does not wish to trigger possible criticism in Japan that it has hastily "abandoned" the troubled LTCB.

In addition, the future of Sumitomo Trust's possible merger with LTCB will not become clear until the Financial Supervisory Agency, Japan's banking regulator, completes an audit of LTCB, expected later this summer.

Meanwhile, UBS is holding discussions with Sumitomo Trust. However, Sumitomo Trust appears uncertain on whether it would wish to take part in the alliance and UBS remains wary of becoming too deeply embroiled in the Sumitomo "keiretsu", or business group.

The fate of the troubled LTCB group is now being viewed as a crucial test case for the reform of Japan's banking sector – failure to find a solution to LTCB's problems could damage market confidence. LTCB's share price closed at Y49 last week, Y1 below its par value.

The case has become particularly striking because Sumitomo Trust has insisted that it will only assume the healthy assets of LTCB and will not "bail out" the group.

The Japanese government argues that the FSA inspection should reassure Sumitomo Trust about the health of the group.

However, Sumitomo Trust has also decided to hire Arthur Andersen, the UK accountancy group, to audit LTCB's assets. If these audits differ, or if they are concealed from the market, the credibility of the FSA could be undermined, some bankers warn.

INSURANCE, TELECOMS AND TRANSPORT AT RISK

Survey identifies sectors set to be disrupted by euro

By Richard Adams in London

Insurance, telecommunications and transport companies are most at risk of disruption from the introduction of European economic and monetary union, according to the first report to examine individual market sectors.

The three sectors are the most likely to suffer a "significant impact" from the start of the single currency, the euro, in January next year.

Breweries, pubs and hotels are thought to be least at risk from the introduction of the single currency.

The report's authors, KPMG Management Consulting in London, say the euro will throw up "winners and losers" among European business sectors.

"This analysis is based on an assessment of each sector against five key issues which firms face as they cope with the introduction of the euro," the report states.

The unpublished report judges each industry sector by vulnerability on five issues: systems impact, price transparency, readiness, industry structure and post-Emu stability pact. It ranked the insurance, telecommunications and transport sectors as highly vulnerable in four out of the five areas.

Leo Martin, a senior economist at KPMG, said: "Vulnerability measures the sectors that will go through significant change, but it doesn't mean that individual companies will do badly."

Banking, utilities and pharmaceutical companies were also in the "high risk" category. The KPMG survey rated the banking sector as significantly vulnerable in terms of industry structure, systems and readiness.

"In some sectors, such as banking and retail, the challenges of preparing systems are proving extremely costly and time-consuming.

"Indeed, our experience is that many financial sector organisations will fail to be fully ready to trade in euros from 1999 and many more will struggle as the demand for euro usage grows," the report says.

Mr Martin said that retail banking's IT needs were so large that some banks were being "buried up to their ears" in system changes.

The size of projects and the resources they required meant many banks were not able to consider the wider marketing possibilities of Emu.

Utilities, such as gas and electricity companies, were vulnerable to disruption from billing and systems changes. The effects of the Maastricht treaty and the stability pact – reducing state subsidies and encouraging privatisation – will also encourage further consolidation in the sectors.

Saab's first-half losses rose sharply after production stoppages at the Swedish group, half-owned by General Motors, and higher costs for the US launch of its 9-5 model (above). Page 16; Lex, Page 12 Picture: AP/Saab

BOC to cut 3,800 jobs as strong pound and Asia hurt UK industry

By Jane Martinson in London

BOC, the industrial gases group, is expected to announce up to 3,800 job cuts around the world tomorrow following a cost-cutting review.

The announcement will come as further evidence of the toll the Asian crisis and a strong pound have taken on British industry.

BOC's decision to cut up to 10 per cent of its 38,000-strong workforce comes less than a month after Rover, the car group, announced plans to cut at least 1,500 jobs in the UK, or about 4 per cent of its workforce. Rover blamed the strong pound for its problems, while Siemens, the German electronics giant, blamed the Asian crisis for its recent decision to shut down its semiconductor plant in the north of England at a cost of 1,100 jobs.

Danny Rosenkranz, BOC chief executive, launched the review of the company in May after weak demand in Asia, problems with the company's distribution business and the strong pound led to a 17 per cent drop in interim pre-tax profits.

The worst performing divisions were vacuum technology, which supplies the semiconductor business and reported a 15 per cent drop in operating profits, and distribution services, which fell 19 per cent. Weakness in the semiconductor industry, which is supplied by BOC, has increased the company's problems.

Analysts estimate about 1,000 of the job losses will come from the UK. They also expect BOC to announce a significant restructuring charge at its third quarter results presentation tomorrow.

BT Alex Brown, the company's broker, forecast a charge of about £130m ($214m) to cover the restructuring in a report written two weeks ago. It expects the group to write down "significant assets".

The broker also estimated the charge could lead to savings of between £50m and £60m over the next three years. Others expect BOC to want greater savings as part of a large-scale reorganisation.

Boost in M&A for emerging markets

By Emiko Terazono in London

Sharp falls in corporate valuations and large-scale deregulation, following economic reforms led by the International Monetary Fund, boosted merger and acquisition activity in emerging markets during the first half.

The number of deals worth more than $50m totalled 119 in the first six months of this year. This was up sharply from the 72 deals recorded in the same period last year and the 88 deals recorded in the second half, according to Robert Fleming, the UK investment bank. The total value, however, remained flat at $34bn, because of sharp falls in emerging market currencies.

Purchases by corporate groups from developed countries accounted for 85 per cent of total transactions. Buoyant M&A activity in developing countries is expected to continue throughout the year.

The strong interest in emerging market assets among corporate investors contrasts starkly with attitudes of western portfolio managers and retail investors, who continue to shun emerging market equities. "There is a strong sense of risk among multinationals that they may lose the opportunity to invest if they miss this chance," says Laurence Heyworth, director of Fleming's global emerging markets division.

Latin American corporations were the most favoured targets in the first half, with 46 deals worth $16bn. Asia followed with 45 deals worth $11bn, while eastern Europe, the Middle East and Africa accounted for 28 deals worth $3bn.

By sector, financial institutions led the cross-border deals, totalling $7.5bn. Telecommunications, and airlines and airports followed, both totalling $5.4bn, while utilities totalled $2.9bn.

In Asia, South Korea and Thailand attracted the most bidding from international corporations. South Korea saw 15 deals worth $5.4bn, while deals in Thailand totalled 15 worth $2.2bn.

In Latin America, Argentina was the most popular, with total deals amounting to $7.2bn, while in Brazil there were 15 deals totalling $5.2bn.

In Asia, US companies invested a total of $3.1bn, while in Latin America they spent $1.9bn.

SIMON DAVIES
GLOBAL INVESTOR

Fears beneath the froth

With global equities considerably below their peaks and a battalion of stock market bears re-emerging from the woods, spare a thought for venture capitalists.

This merry band has been a steady producer of the froth on the surface of the latter stages of the bull market, and it must now contain a number of nervous participants.

The venture capital industry until recently was in a delightfully virtuous circle. Institutional investors, nervous about stock market valuations, were pumping surplus cash into alternative investments offering potentially higher returns. Venture capitalists have been prime recipients.

Some of this money has been channelled back into the stock market through buyouts of listed companies or scraps of listed conglomerates such as the UK's BTR.

And this in turn fuelled the feel-good factor in equities, generating more cash for venture capital funds. CVC Capital Partners recently raised a $3bn European fund, and this pales by comparison with the US, where an estimated $23bn was raised in the second quarter of 1998.

With the benefit of gearing, which has been aided by the return of the junk bond, this provides enormous firepower.

But venture capitalists require fund investors, lenders happy to provide the required leverage, and a convenient means of exiting investments.

These all require a positive stock market environment.

And there is now talk of a new transatlantic blockbuster, Goldilocks The Revenge, where the markets' heroine is finally burnt out by the economic boom.

So what happens if the bull market has stalled? Certainly, that is bad news for venture capital funds that have just spent all their money.

It has become increasingly difficult to see how they could make profitable exits from recent investments. Competition has emerged from growing numbers of venture capital groups, and also from the so-called principal finance arms of investment banks. Prices have escalated.

UK packaging group Rexam recently complained it could not justify acquisitions at current prices – a veiled criticism of the prices venture capitalists have paid for packaging deals.

Of course, venture capitalists can gear up to levels that listed companies would blanch at, giving them a lower cost of capital – equity investors require returns considerably higher than the current cost of debt. This means they can pay more for businesses and still meet high equity return targets.

Nonetheless, they still have to sell their investments at some stage. The Rexams of this world will be unwilling to buy the businesses second time around. And if the bull market goes into reverse then profitable stock market exits will be hard to come by.

But before shedding tears for venture capitalists the structure of the industry should be considered. One innovation from the US is the payment of fat fees on funds, whether invested or not.

And then there is the whole issue of "moral hazard". If a deal is successful, the fund managers take a large slice of the profits – normally 20 per cent, sometimes more.

If the deal is a disaster, however, the fund, and not the fund manager, takes the loss. Such a structure looks designed to encourage risks. After all, a bull market will cover up most bad investments, and accounting policies can cover some more. Moreover, much of the investment risk actually falls into the laps of the debt holders, such as junk bond investors.

Several disasters will damage the venture capital fund manager's reputation and inhibit its fundraising abilities, but that is a limited downside. For many venture capital groups, however, a stock market crash might even be a blessing in disguise. A crash will flush out the less committed or skilled participants and bring down business valuations, allowing a more profitable investment cycle to emerge.

After the 1987 crash, leveraged funds had several years of mediocre performance. But the best investment groups continued to make good returns. Even if the latest decline in the stock market is but a hiccup, that pattern must inevitably re-emerge.

BANKING RETURNS TO SHAREHOLDERS OF THE ACQUIRING BANK UNDERPERFORMED IN 60 PER CENT OF DEALS

Bank mergers fail to deliver investor value

By George Graham, Banking Editor

Merger activity among European banks has accelerated in the last 18 months, yet most mergers in the sector have failed to deliver value to their investors, according to a study by Mitchell Madison, the management consultancy.

Bank mergers and acquisitions totalled more than £40bn in 1997 and have reached £25bn so far this year. But the study found that, over the last decade, returns to shareholders of the acquiring bank had underperformed the rest of the sector in 60 per cent of deals, sometimes by as much as 17 per cent.

"Bank management has not been successful in the majority of cases in extracting value from mergers. That is not to say that the value is not there in the first place", said Constantine Psaltis, a partner at Mitchell Madison.

Mr Psaltis also warned that mergers aimed at capturing a dominant market position would not work in Europe, as a result of the introduction of the single currency. "The biggest bank in Europe has a European level market share of about 3 per cent. In order to get to the kind of scale that might give them market power they would have to merge several times over."

A broader study of 251 companies conducted by Andersen Consulting found that below par shareholder returns were widespread in the financial sector, even among companies which did not merge.

More than 40 per cent of financial groups failed to match their local market average for shareholder returns, including dividends as well as share price appreciation. Despite steady growth in revenues over the last ten years, profits growth has diverged widely.

US groups averaged 21 per cent per annum and UK companies 16 per cent, but Spain and Italy came in at just 9 per cent annual growth, while France and Japan saw profits shrink.

Andersen found the gap between winners and losers was widening, with a small elite – dominated by companies in the US, the UK and Australia – delivering value to shareholders.

The recipes for success varied. 'Optimisers' such as Barclays in the UK or Citibank in the US squeezed maximum profits from more or less flat revenues by eliminating unprofitable products and reducing costs. 'Consolidators' such as Lloyds TSB or Travelers Group, the US insurer seeking to merge with Citibank, 'bought' growth through mergers and sought to pay for it with cost savings.

A few innovators, such as Charles Schwab in the US or Banca Fideuram in Italy, were able to identify new trends in customer habits or market conditions and generate high revenue growth from them.

MTL sale runs into difficulties over high price

By Jonathan Ford

The sale of MTL, the Merseyside bus company that has been on the market since February after shelving plans for a flotation, is thought to have run into difficulties because bidders are reluctant to meet its price expectations.

The group, which is largely owned by its 2,500 workers, is thought to be seeking about £80m ($132m) for its remaining operations, including the Merseyrail Electrics and Regional Railways North East franchises.

Last month, MTL sold its London bus franchise, regarded as the most attractive part of the group, to Metroline for £41.9m.

When MTL was put up for sale, most of the UK's leading transport operators expressed an interest, partly because it represents one of the last opportunities to make a substantial acquisition in the sector.

Interest has since waned because of doubts about the quality of the Merseyside operations.

The flotation was abandoned after a wave of one day strikes at Merseyrail Electrics over pay and working practices.

Stagecoach and FirstGroup, two of the UK's largest transport operators, have withdrawn from the bidding in the past month.

Stagecoach lost interest after acquiring a 49 per cent stake in Richard Branson's Virgin Rail at the beginning of July. FirstGroup withdrew after MTL sold its London operations.

Of the two remaining bidders, Arriva, the Sunderland-based bus and motor group, recently pulled out of negotiations because it felt MTL was demanding too high a price for the business.

Go-Ahead, the bus and train group, is thought still to be in negotiations.

Arriva, which already has about 10 per cent of the bus market in Liverpool, was understood to be concerned that it would have to make substantial disposals if it acquired MTL, which has 60 per cent of the market.

MTL has not ruled out the possibility of reviving plans for a stock market flotation if its price expectations are not met. Peter Coombes, chairman of MTL, has said throughout that his objective is to maximise value for the company's shareholders.

However, analysts believe the company could face difficulties in attracting investors if it tried to revert to the flotation plan.

Following the sale of its London operations, MTL has sales of about £450m. It operates bus services in Liverpool as well as the rail franchises.

The company was bought by its employees in 1992 from the local authority. Interest in a sale increased last December with the expiry of a clawback provision in the buy-back agreement which obliged shareholders to hand back 40 per cent of the proceeds to the local authority.

Braathens suffers 25% first-half fall

By Valeria Sköld, In Oslo

Braathens, Norway's largest domestic airline, blamed weaker first half-results on costs in preparing for the opening of the country's new international airport in Gardemoen, a traffic controllers strike in Norway and a loss from its Swedish operations.

Net profit fell 25 per cent to NKr127m, (£10.5m) for the six months ended June 30 while operating revenue rose from NKr2.7bn to NKr3.1bn, lifted by the NK117m sale of four aircraft, which was offset by a NKr65m fall in revenue from a union strike in June.

Profits were also affected by a NKr41m loss in Braathens Sweden, mainly from its Stockholm-Sundsvall and Stockholm-Oestersund routes, causing it to shut these operations in July.

Bonds have more fun as banks rock'n'roll

Alice Rawsthorn and Jeremy Grant on moves to get investors to gamble on rock

As the composers of classic songs such as *Baby Love* and *This Old Heart Of Mine*, Holland Dozier Holland are rated among the world's most successful songwriters, and last week they put a price tag on their achievements by staging a $30m (£18.1m) bond issue.

The Holland Dozier Holland issue, which will be repaid by the royalties generated by 300 of their songs over 15 years, follows last autumn's $55m "Bowie bond", with which David Bowie became the first pop star to persuade investors to gamble on his talent.

Banks are trying to persuade other musicians, composers and record producers to launch similar issues. In the short term, they see "royalty bonds" as lucrative new products at a time investors are looking for alternatives to low-yielding Treasury bonds, and some banks also have the longer term aim of usurping record labels and music publishers as regular sources of funding for rock stars and songwriters.

Royalty bonds also offer tax advantages to stars, who receive the cash upfront but are not taxed on it until they have earned the royalties. However, some artists are worried about tarnishing their images by being seen to court the financial markets.

If the banks succeed, the relationship between the multinational entertainment groups which dominate the global music market, and the artists or composers who create their assets, will change dramatically. The challenge from the banks comes at a sensitive time in the music industry when the record labels' traditional role as music distributors is already being challenged by the internet.

"Traditionally, record companies have acted as bankers by paying advances to artists against future royalties in return for the rights to their work; in future, established artists will get their advances from banks and keep the rights for themselves," said David Pullman, managing director of Pullman Group, the US bank behind the Holland Dozier Holland issue.

However, the banks' chances of establishing royalty bonds as a durable market will be determined by their success at nurturing long term demand among investors and artists. Until recently, it would have seemed silly to imagine that an investment bank would even attempt to persuade investors to gamble on a rock star's future.

However, rock'n'roll is now a 40 year-old phenomenon and represented the bulk of the $38.1bn of records and $6.2bn of music publishing rights sold worldwide last year.

It is virtually impossible to predict the long term earnings potential of young acts, such as the Spice Girls, whose future hung in the balance after Geri Halliwell's recent resignation, or the Verve, which is still struggling to adjust to the departure of Nick McCabe, its bass guitarist. Yet investors can be fairly confident that if David Bowie's classic 1970s albums and Holland Dozier Holland's 1960s hits have remained popular for 20 or 30 years, they will continue to generate royalties from record sales, radio airplay, television commercials and movie soundtracks.

So far, investors have seemed enthusiastic about royalty bonds. The "Bowie bond" was heavily over-subscribed, and Mr Pullman says the Holland Dozier Holland issue was also well-received.

Jeremy Church, an analyst at Duff & Phelps, the credit rating agency, says that, as more deals are done, investors will feel increasingly comfortable about assessing the risks and future issues will be sewn up faster.

Yet there is a risk that demand for royalty issues could diminish if interest rates rise and yields on Treasury bonds improve. Alexander Batcharov, an asset-backed securities analyst at Merrill Lynch, suspects that investors' interest may prove short-lived. He sees royalty bonds as "esoteric, exotic" products, rather than "substantial or long-lasting".

Superstar musicians and composers seem to share his misgivings. Dozens of banks have been trying to tempt them to stage bond issues. So far the only one to agree, other than David Bowie and Holland Dozier Holland, is Rod Stewart, the rock singer who secured a $15.4m securitised loan from Nomura this spring. Bernie Taupin, who wrote the lyrics for many of Elton John's hits, including *Candle In The Wind* and *Crocodile Rock*, is also understood to considering a bond issue.

Blonds have more fun: Rod Stewart in concert

According to Mr Pullman, any star whose career has lasted longer than ten years and earns at least $200,000 in annual royalties could issue a bond or, like Rod Stewart, clinch a securitised loan which will later form part of a joint issue with other artists.

Banks also face the problem that the highest-earning stars (and therefore the most attractive investment vehicles) are, by definition, least likely to require additional capital. Convincing them that they need even more money could be as big an obstacle to the banks' chances of muscling into rock'n'roll as investors' scepticism.

E! Entertainment TV in talks about UK launch

By Cathy Newman

E! Entertainment Television, the Los Angeles-based cable and satellite network, is talking to partners about launching a UK channel.

The network, which is owned by several US cable groups and the Walt Disney Company, has held talks with British Sky Broadcasting, the UK satellite broadcaster.

Although the discussions are said to be at an early stage, it is thought possible BSkyB could take a stake in a UK version of E! Entertainment.

E! broadcasts celebrity interviews, talk shows, news, movies, comedy and fashion programming to 50m cable and satellite subscribers. The service has also launched in Latin America and Spain.

E! would need regulatory clearance to broadcast in the UK. It has also talked to other potential UK partners, which may include cable and digital terrestrial groups.

BSkyB said it was keen to "have the finest range of channels as possible". Its 200-channel digital satellite service goes on air in the autumn.

BSkyB has entered into several joint ventures. It has stakes in Nickelodeon, the children's channel controlled by Viacom, the US media group, and QVC, the shopping channel.

E! already provides programmes to BSkyB and Granada Sky Broadcasting, the joint venture between Granada Media Group and BSkyB. It has also supplied programming to ITV.

Comcast, the US cable group, owns 40 per cent of E!, and Disney 39 per cent. Two other cable operators, Liberty Media, the programming arm of Tele-Communications Inc, and MediaOne, own the remainder.

Earlier this year, E! announced the creation of Style, a fashion and design channel. It will go on air in the US in October.

Company executives are also considering launching channels in Italy, Germany, France and Poland.

BSkyB recently announced 17 channels for its digital service. It has struck agreements with Discovery Networks, Flextech and UKTV – the joint venture between Flextech and the BBC.

Call for Midshires' meeting

A pro-mutual pressure group is set to call for a special general meeting which it hopes will scupper the £750m ($1.24bn) bid proposal for Birmingham Midshires, the building society writes Jane Martinson.

Save our Building Societies said it would seek support from 100 Midshires members to convene the meeting if its proposals were not included in the transfer document for the bid launched by Halifax, the UK's biggest home loans provider. Bob Goodall, SOB co-ordinator, said the threat of such a meeting had helped end the Royal Bank of Scotland bid for Midshires earlier this year.

The pressure group, which has 200 members who also hold membership of Midshires, has drafted six resolutions on the bid, including one which rejects the demutualisation altogether. Another resolution calls for the board to "accept only the highest financial offer for the society". Under Halifax's proposals, announced two weeks ago, one million Midshires members will receive average windfalls of about £750.

COMMENT

BOC

Another week, another redundancy drive in UK manufacturing. As if Rover's job cuts and Siemens' closure of its Tyneside semiconductor plant had not done the trick, industrial gases group BOC's plans to lay off up to 10 per cent of its workforce will ram home the impact of the Asian crisis and the strong pound. Again it is the woe-struck semiconductor industry and sterling's impact on competitiveness – not Gordon Brown's bugbear of poor productivity – that is immediately responsible for lengthening dole queues. For BOC to hoard labour – so constraining its own productivity – in the hope of an upturn makes little sense given the gravity of the semiconductor industry's problems.

Taking £50-£60m off the cost base should help erode the company's double-digit discount to the market. From an investment perspective BOC deserves applause for actions others will follow soon enough.

Racal Electronics

Racal was trying to put on a brave face yesterday. Sir Ernest Harrison, chairman, talked of creating shareholder value, but investors will not find a trace of it in the sorry saga of data communications. The hefty £234m loss on the unit's disposal is a painful lesson to shareholders to agitate sooner for action on failing businesses.

What of Racal going forward? Bulls hope the current excitement surrounding telecoms will rub off on one of Racal's businesses – a national fibre-optic network. But the operation rightly deserves a hefty discount to stars such as Energis and Colt. Nearly half its turnover comes from contracts with train operators, inherited as part of the old British Rail communications network, where margins look likely to come under pressure. And Racal has yet to establish a track record of aggressive growth in its business for corporate customer services. Alliances, such as its recent one with Colt, are positive, but do not yet represent significant new revenue flows.

Putting telecoms on a moderate rating of twice sales suggests it might be worth £580m. But a sum-of-the parts calculation for the group as a whole, minus debt, gives a value of only £1.16bn against yesterday's market value of £1.1bn. To produce some real shareholder value, Racal needs to either float or sell its telecoms unit at a good price.

NEWS DIGEST

LEISURE

Fitness First makes move into Germany

Fitness First, the Aim-listed health and fitness club operator, has bought a 50 per cent stake in Fitness Company, Germany's second largest health club operator, and injected "significant" additional capital at a total cost of DM28m (£9.67m).

The deal marks the first move by a British fitness club company into Germany. The acquisition is to be financed in part by the issue of 400,000 shares in Fitness First at 320p and partly by a placing of 1.64m shares at 333p, raising £5.3m net. The balance will be financed by bank borrowings. In addition, two Fitness First directors are each disposing of 595,157 shares at the issue price.

The vendors, who are to run Fitness Company as a joint venture with Fitness First, have warranted that the German group will generate profits before interest, tax, depreciation and amortisation of at least DM3.4m for the year to December 31. **Mark Turner**

REMUNERATION

FI rewards the board

Hilary Cropper, chief executive of FI Group, received a 27 per cent increase in her total remuneration package to £338,388 last year, according to the computer services group's annual report. Her increase was part of a similar sized rise in the total amount paid to the 10 board members, who received £1.24m between them. Among the board members, Lyn Barrat, commercial director, received an increase of 41 per cent to £187,111, and David Best, finance director, saw his remuneration rise 32 per cent to £209,136. **Christopher Price**

FINANCIAL REPORTING

H&C Furnishings revises accounts

H&C Furnishings, now renamed Harveys Furnishings, has revised its accounts for the year to April 1997 following intervention by the Financial Reporting Review Panel – the accounting watchdog. The panel disagreed with the company on a point of principle in accounting for the acquisition of Harveys Holdings – a larger unlisted company. It also found several instances of non-disclosure of data. The revised accounts were published yesterday in the company's annual report for 1998 - complete with 13 pages of corrections. The auditors were Coopers & Lybrand. **Jim Kelly**

RETAILERS

Electronics Boutique on track

Electronics Boutique, the PC software and video games retailer, is to open 20 more stores before Christmas. The group, which trades from 158 outlets, 13 of which were added in the first half-year, said its new-release schedule for the second half of the year was "very strong". It said continuing strong demand for video game consoles ensured that trading during the first half of the current financial year was well ahead of the corresponding period in 1997.

MINING

Firestone Diamonds in £2m listing

Firestone Diamonds, the mining and exploration company, is raising £2.14m gross via a placing of 1.88m shares on Aim at 114p, capitalising the company at £25.7m. Dealings are due to start on August 14. John East & Partners is the nominated adviser, and Burrough Johnstone and IA Pritchard are brokers.

ENGINEERING

Approaches for ailing Crabtree

Crabtree, the can engineering group, has received a number of approaches for the business, including one from management. The announcement comes with a warning that second-half profits will not be better then last year's, as forecast in May. The group expects to record a loss for the full year compared with a pre-tax profit of £110,000 for the year to September 30 1997. Crabtree cited a slowdown in order flow and problems with the installation of new machinery among the problems affecting profits.

NEWS DIGEST

INVESTMENT BANKING

Chase to handle euro clearing for J P Morgan

Chase Manhattan Bank has won a "substantial" contract from J.P. Morgan, the US investment bank, to handle clearing for all dealing in the planned euro currency. International banks are streamlining their clearing systems ahead of the introduction of the single European currency in January, 1999.

They are switching from using separate clearing agents for the various European currencies in which they deal. J.P. Morgan will use a centralised clearing hub operated by Chase from Frankfurt, which will cover euro-denominated securities transactions made in J.P. Morgan's dealing rooms.

Richard Lowry, senior vice-president for Chase Treasury Solutions, said it was not possible to say how much J.P. Morgan had paid for the system, as contract size partly depended on the eventual level of trading patterns in the euro. But he said many banks intend to have similar clearing systems before the end of next month in a bid to ensure the systems are installed in time. **Jeremy Grant**

JAPANESE ELECTRONICS

Casio plans Y15bn buy-back

Casio, the Japanese electronics group, announced plans for a Y15bn ($103m) share buy-back as part of an effort to improve shareholder equity. The move, which would involve 3.6 per cent of its shares, was prompted by requests from foreign stockholders, the company said. Foreigners own stakes amounting to 6.3 per cent of the group. In May, the group said it would buy back up to 72.5m shares, 26 per cent of its issued share capital to lift the return on equity. In the year to March, shareholder equity jumped to 6.6 per cent, from 2.1 per cent a year earlier. Net earnings trebled to Y11.7bn last year, on sales up 9.8 per cent to Y510bn. **Alexandra Harney, Tokyo**

NEW ZEALAND FORESTRY

Setback for Carter Holt Harvey

Problems in Asia were responsible for a 74 per cent drop in first-quarter profits at forestry group Carter Holt Harvey. The company, controlled by International Paper of the US, made profits of NZ$12m (US$6m), down from NZ$49m a year earlier, on sales 8 per cent lower at NZ$694m. It said weaker Asian export markets were the biggest problem, most evident in the forest sector, where exports fell 78 per cent. The company's Chilean associate Copec was also affected by the Asian problems. **Terry Hall, Wellington**

CANADIAN PUBLISHING

All-round rise at Thomson

Thomson, the Canadian publishing group, saw improvements in its operations across the board to produce a 67 per cent advance in operating earnings in the second quarter compared with the same period in 1997. Earnings rose to US$72m, or 12 cents a share, from US$43m, excluding a one-time gain of US$1.37bn, or US$2.24 per share, from the sale of its leisure travel interests in May. Profits in each of Thomson's three main divisions improved, led by 14 per cent earnings growth in the financial and professional publishing arm. Thomson completed 24 separate acquisitions worth US$690m in the first half of the year. **Edward Alden, Toronto**

SINGAPORE MEDIA

Restructuring at SPH

Singapore Press Holdings (SPH), the city-state's leading media group, has announced a complicated restructuring that will enable it to overcome restrictions on buying back shares. The exercise – to be completed by November, involves reducing the company's issued share capital by about 10 per cent and returning about S$495.9m (US$284m) to shareholders. The Asian crisis, has resulted in a flurry of buy-backs as companies try to minimise selling of their shares. SPH, which publishes a dozen newspapers, will still have about S$1.2bn after the restructuring, which it said would give it ample room to "take advantage of opportunities that come along".
Sheila McNulty, Singapore

Probe into Postabank finances promised

By Kester Eddy in Budapest

An investigation into its finances will be a high priority at Postabank, Hungary's troubled bank, shareholders have been promised by the new management.

Zsigmond Jarai, Hungarian finance minister, also told an extraordinary meeting on Friday that additional taxpayers' money would have to be injected into the bank to maintain its stability.

Off-balance-sheet liabilities were disclosed for the first time on Friday, of about Ft102bn ($470m).

The previous management, replaced on Friday, had exceeded legal limits and undertaken excessive risks in its investments, Mr Jarai added.

He did not rule out privatisation of the bank in the long term, although it planned to sell non-core assets and concentrate on improving services as a state-owned bank. Non-core assets include property in Spain, a brokerage, property and media concerns and a wine trading company.

The bank, Hungary's third largest, lost Ft13bn last year, according to an audit by Deloitte and Touche. However, Deloitte's Judit Lado said the auditor's report did not reflect the real size of the losses.

Mr Jarai said the losses would be tens of billions of forints. They had been covered by overvaluing assets.

Local press reports have said KPMG – the auditor acting on behalf of the regulator that is in charge of the bank – is expected to reveal this month that the Spanish property portfolio was entered in Postabank's books this year at several times its real value.

Carphone Warehouse expands

Carphone Warehouse, the UK mobile telephone retailer, has established a presence in Scandinavia by acquiring GEAB, the Swedish telecoms chain, writes Tim Burt in Stockholm.

The acquisition follows talks with GEAB's owner – Unisource, the joint venture between Telia of Sweden, PTT Telecom of the Netherlands and Swiss PTT.

GEAB last year claimed 15 per cent of Sweden's market for mobile sales, worth SKr2.6bn ($325m). David Ross, chief executive of Carphone Warehouse, said the UK group could exploit GEAB's knowledge in Scandinavia, where mobile phone penetration has reached 40 per cent, against 16 per cent in the UK.

Siemens prepares to throw the switch for change

Restructuring plan delights investors but details are short, write **Graham Bowley and Frederick Stüdemann**

Market movers

Unlike many of Germany's proud business leaders, Heinrich von Pierer is happy to have his speeches interrupted by the trilling of a mobile phone. "I have nothing against mobiles – as long as they are made by Siemens," jokes the chairman of the German electrical engineering empire.

At the moment, however, too few of Siemens' businesses are producing sweet music for Mr von Pierer's ears. Last week the increasingly parlous state of the company's loss-making semiconductor business was highlighted when the company said it would close its chip plant in the north-east of England, with the loss of 1,100 jobs.

But the closure of the British plant, an embarrassment for Siemens after less than two years of operation, is only one part of a wider overhaul which analysts now expect at Siemens.

Last month Mr von Pierer gave an indication of what might be around the corner when he unveiled what he described as a sweeping restructuring of his vast industrial empire. The announcement came against a dismal backdrop of downgraded profit expectations for the company and a largely gloomy picture of Siemens' sprawling portfolio of businesses.

At face value, the 10-point restructuring programme is revolutionary for Siemens. Mr von Pierer raised ideas which would have been unheard of only a few months ago.

He promised to sell poorly performing businesses and spin off divisions by giving them separate stock exchange listings; he hinted at job cuts; and he said Siemens would modernise by adopting more transparent US-style accounting practices, leading to a listing of its shares on the New York Stock Exchange.

This was what investors wanted to hear. They had clamoured for change at Siemens, but until then Mr von Pierer had stood resolute. A strong defender of *Standort Deutschland* [Germany as a manufacturing location], he believed he could reconcile the demands of shareholders with those of his workers, and that there were important synergies to be gained from being a conglomerate with several different business activities.

This position is not without political support in Germany, where unemployment is high and there is strong pressure not to upset the economic and social order.

To his credit, Mr von Pierer had already taken some important steps to rationalise his empire. The industry chief, who is a close friend of Germany's chancellor, Helmut Kohl, boasts he has already cut Siemens workforce by 60,000.

In April, Siemens-Nixdorf withdrew from computer production – where, just as in semiconductors, it faces cut-throat competition, especially from Asia – by selling its activities to Acer of Taiwan. At the same time, it

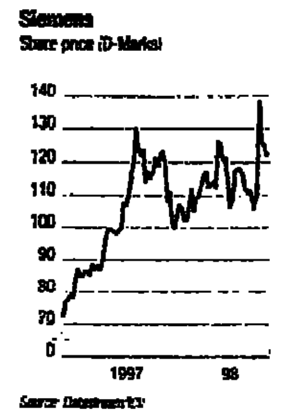
Heinrich von Pierer: has identified trouble spots

sought to organise itself more clearly by bundling together public and private telephone network businesses along with what remained of its computer activities. In June, Mr von Pierer sold its stake in troubled telecoms group GPT to GEC of the UK.

But for most investors, this was not enough. To them it was tinkering at the edges, and their criticisms remain: Siemens has too many businesses and is still too dependent on slow-growing western European markets. "Siemens needs to define what exactly it is," said Sean Faughnan, analyst at J.P. Morgan in London.

In fact, the restructuring programme is quite short on detail. It gives the impression of being rushed: bankers say Siemens had not planned to publish the programme until November, but rushed it out to stop its shares plunging after realising how poor its latest results were.

In the event, Siemens' shares soared 17 per cent



after the announcement, but analysts say the group could face a sharp backlash if it does not put flesh on the bones of its ideas soon. They expect further details in November.

"Until they do that [make firmer commitments], I'm not as excited as I am about Alcatel or ABB [companies that are restructuring more fiercely]," said Mark Davies Jones, analyst at Salomon Smith Barney in London.

But for now, Siemens has won breathing space. Analysts say they were pleased that by publishing the programme, Mr von Pierer himself openly identified the company's trouble spots.

Together these account for a third of overall sales: its mobile phones unit, which has suffered from quality control problems as well as competition from companies such as Nokia and Ericsson; its transportation systems division; and its semi-conductors unit, which is forecast to lose DM1bn ($566m) this year and where Siemens is hit by undercutting from Asian competitors engaged in what Mr von Pierer calls a "suicidal pricing strategy".

As for acquisitions or disposals, no names were mentioned as possible candidates. Mr von Pierer did however indicate where they might lie: a listing on the New York stock exchange is intended to prepare the ground for share-based acquisitions or mergers. The Siemens chairman said prices for North American firms were currently too high to be conducted on a traditional cash basis.

Analysts were also pleased by initiatives to improve the company's use of capital. At present, investors take a dim view of the high level of money tied up in working capital. Siemens said some capital tied up in areas which do not generate added value, such as real estate holdings, would be released. The company hopes this will also reduce operating costs.

The chief reason for the financial markets' positive reaction, however, was what the programme might mean for the future.

Though sketchy, it suggested a seismic shift in thinking at the industrial concern and a new sense of urgency – which analysts suspect has a lot to do with Heinz-Joachim Neubürger, Siemens' new financial chief who took office this year.

With this revolutionary programme, Siemens has pointed to a radical transformation of the company. If Mr von Pierer does not deliver, however, he will have more serious things to worry about than reporters' mobile phones.

Internet IPOs may lift a disappointing 1998

By John Labate in New York

The performance of initial public offerings on the New York stock market will this week provide some indication of institutional investor sentiment amid turbulence in global stock markets.

A test of sentiment will come from a series of offerings from internet-related companies, a sector that has recently been a star of the IPO market. Three weeks ago Broadcast.com became the most successful IPO in history, rising in value by 248 per cent above its offer price by the close on its first day.

The most eagerly awaited internet-related deal set to launch this week is GeoCities, which has Goldman Sachs as its lead underwriter for a deal that could raise $62m. The company runs one of the most popular web sites in the world offering community chat pages, and some believe the deal could be one of the most successful in recent memory.

"GeoCities has a tremendous amount of recognition among consumers," said Ryan Jacob, portfolio manager of The Internet Fund, who argues that the company's popularity could prove a decisive draw to investors.

Other internet-related companies on the week's roster include 24/7 Media, an internet advertising and marketing company that could raise $42m, and CitySearch, an online entertainment guide that could raise $48m.

The issues will come on the heels of several sharp pull-backs in the US market in recent weeks that included Tuesday's 299-point plunge in the Dow Jones Industrial Average. Many IPOs, including Del Monte Foods and others, were last week postponed due to growing concern about the level of investor demand.

Furthermore, by the yardstick of after-market performance, 1998 is shaping up to be a considerable disappointment. According to Securities Data Company, the 321 IPOs launched this year up to the middle of last week have managed to rise in value, on average, just 2.2 per cent since their offer date. That compares to average appreciations for IPOs of 19.7 per cent last year and 14.3 per cent for 1996.

However, there were slight but growing signs of encouragement from investors late last week.

As the markets stabilised, the Russell 2,000 index of smaller company shares and the technology-weighted Nasdaq composite led the leading indices in terms of percentage gains on Thursday and Friday, a sure sign that the market's recent bout of nervousness has steadied, at least for the moment. On Friday the Russell 2,000 closed at 415.80, more than 20 points below its level at the start of the year.

So although it is too late for a widespread recovery of IPO performance, for select new offerings especially related to the internet, the party may not be over yet.

Paper demand lifts Metsä-Serla

By Tim Burt in Stockholm

Metsä-Serla, Finland's third largest forestry group, reported a sharp increase in first-half profits following rising demand for paper and packaging products and heavily reduced loan losses.

Pre-tax profits were FM1.08bn ($200m), up from FM716m, as sales rose from FM8.76bn to FM10.9bn in the first six months of the year.

However, Jorma Vaajoki, chief executive, hinted that the company would not achieve the same profit growth in the second half as prices stabilised and output of pulp and fine paper was affected by plant shutdowns.

"The trend in the prices and demand for these products will have a crucial impact on our earnings in the latter part of the year," said Mr Vaajoki.

He attributed the interim profits growth to Metsä-Serla's strategy of defending prices by cutting production in fine paper and pulp.

"Both delivery volumes and sale prices for all main products were at a clearly higher level than they were in the corresponding period a year ago," he added.

That helped operating profits almost double from FM743m to FM1.31bn, while pre-tax results were lifted by lower exchange losses on foreign-currency loans – down from FM142m to FM18m.

Of the group's main divisions, profits in the paper arm rose from FM61m to FM568m after prices and volumes in magazine and fine paper jumped sharply.

Profits in packaging rose from FM326m to FM425m, helped by strong European demand for boxboard, which offset weak prices for corrugated packaging.

Rising prices pushed profits up in the pulp division – from FM171m to FM374m – although the company warned that the market had turned down again during the second quarter.

Volatile demand and pricing hit the tissue division, where profits fell from FM80m to FM68m.

First-half earnings per share rose from FM1.32 to FM4.30.

Audi well on course for record results

By Graham Bowley in Frankfurt

Audi, the executive car subsidiary of Germany's Volkswagen, underlined its position as one of Europe's fastest-growing car companies when it reported first-half 1998 pre-tax profits increased by 64 per cent to DM804m ($454m).

The robust growth reflects the inroads the company is making with new models into the world luxury car market. It came despite a drop in deliveries in both Japan and in Germany, its biggest national market.

Franz Josef Paefgen, chairman, said Audi was expected to post record sales and profits this year after the strong first half, with revenues predicted to top DM25bn. For all 1997 it reported record pre-tax profits of DM1.11bn on sales of DM22.4bn.

Audi reported strongest growth in western Europe but the economic crisis in Asia triggered a sharp fall in car sales in Japan. In the first six months of this year, car deliveries in Japan fell 15.9 per cent to 4,978. Car deliveries in the US increased 19.9 per cent to 20,410 cars.

Total turnover in the first-half was DM13.4bn, 27 per cent higher than in the same period last year.

In the first half, Audi delivered 303,077 cars to customers, a rise of 10 per cent.

Deliveries to German customers fell during the period but this decline was off-set by big increases in other European countries, such as France and Spain. Audi said the big increase in sales was due mainly to the popularity of its new A6 model range and of its A8 model.

As part of the VW group, Audi is a beneficiary of the innovative "platform strategy" pursued by VW chairman Ferdinand Piëch, which aims to cut costs by building different models on similar car bases.

However, Audi has also expanded its model range, and late last month VW completed the acquisition of Lamborghini, the Italian sports car company, which is to be brought under the control of the Ingolstadt-based Audi.

Germany's leading car companies, including BMW, Mercedes-Benz, Porsche, as well as the VW group, are all growing strongly at present, boosted by competitive new products but also by buoyant foreign demand and the relative weakness of the D-Mark against the US dollar.

French airline to be sold

By David Owen in Paris

A fight for control of one of France's biggest airlines is in prospect following the disclosure that Consortium de Réalisation, the state-backed vehicle set up to sell assets removed from Crédit Lyonnais's balance sheet, is preparing to sell AOM.

CDR said it had appointed an adviser, Clinvest, to "explore conditions for an eventual sale of the capital of AOM with the aim of ensuring the company's development by linking it to another air carrier".

Air France, British Airways, Swissair, a commercial ally of AOM, and others are thought likely to show an interest in acquiring part or all of the French carrier. BA is already an important force in the French market through Air Liberté.

AOM, which was formed in 1992 through the merger of Minerve and Air Outre-Mer, has some 2,700 employees and 24 aircraft. In 1997 it achieved turnover of FFr3.9bn ($656m).

Based near Paris's Orly airport, AOM's flights include routes to several French overseas possessions, as well as Sydney, Cuba and Sri Lanka.

Domestically, the airline flies between Paris and the southern cities of Marseilles, Nice, Perpignan and Toulon.

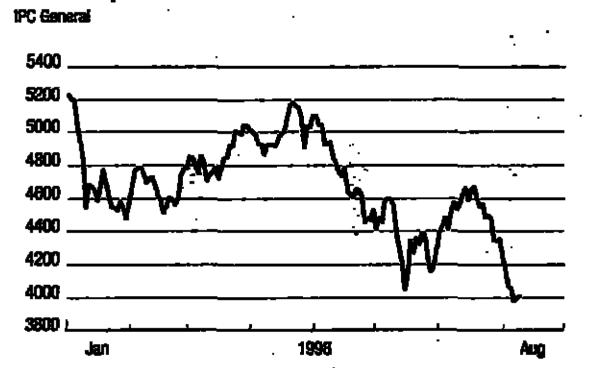
EMERGING MARKETS POLITICAL WRANGLING SPELLS UNCERTAINTY

Mexican pre-election wobbles worry investors

By Henry Tricks in Mexico City

Mexican equities

IPC General



Source: Datastream/ICV

The growing pains of democracy are proving hard to stomach in the Mexican stock market. A ballooning political battle over the $65bn cost of Mexico's three-year bail-out of the banking system has coincided with a downturn in US markets to drive the Mexican IPC index to its lowest since May 1997.

The fall, to 3,899.93 points on Friday, has accelerated through the second-quarter earnings season, which kicked off when the index was above 4,600 points.

However, rather than focus on robust corporate performance, investors are peering gingerly into a future, in which Mexico's economy and that of the US colossus to its north are expected to decelerate, and political wrangling threatens to disrupt the run-up to presidential elections in 2000.

The political concerns have been kindled by strident opposition to a package of financial reforms sent to congress by President Ernesto Zedillo in March.

The 11 bills include strengthening the autonomy of the central bank and bank supervision to ensure a smooth economic transition in 2000. All have become entangled in increasing opposition to the government's efforts to consolidate on its books the enormous cost of the 1995-1997 rescue of the banking sector by an emergency deposit insurance fund, Fobaproa.

The controversy marks the most serious attempt to date by opposition parties to use their first majority in the lower house of congress to thwart Mr Zedillo and weaken his Institutional Revolutionary Party (PRI) before the elections.

The PRI has ruled Mexico for 69 years. This week, the left-wing Party of the Democratic Revolution threatens to issue names of PRI politicians it claims have somehow benefited from the Fobaproa bail-out, though so far it has come up with no evidence to back its allegations. It plans a national plebiscite on the issue on August 30.

"It's negative [for the markets] without a doubt," said James Upton, a Latin American equity strategist at Credit Suisse First Boston in New York. "It gives the impression the government is somehow weakened and it is distracting from the fundamental goings-on in the economy."

By his calculations, the strength in the domestic consumer market in Mexico increased cash-flow generated by Mexico's 40 largest listed companies in the second quarter by 15 per cent in real terms. In July, consumption remained healthy. Cifra, Mexico's largest retailer, reported same-store sales growth of 7 per cent compared with July 1997.

However, investors are seeing the glass as half empty rather than half full. There is a widespread belief that earnings peaked in the second quarter, especially because strength in the second half of last year will make this year's numbers look weak by comparison.

Inflation has also crept up, raising fears of higher interest rates. The consumer price index in July rose 0.96 per cent, just below the important 1 per cent level.

Whether growth has started to slow significantly in the third quarter is a matter of debate among economists. Second-quarter gross domestic product, for which figures are due on August 19, is expected to have risen above 4.5 per cent, following a 6.6 per cent jump in the first quarter.

Weighing on the economy is a fall in exports, more than 85 per cent of which are directed to the US, where growth has stumbled.

According to Mr Upton, sales by Mexico's top exporters, such as mining and steel companies, rose less than 3 per cent in the second quarter, compared with the same period in 1997.

Diego Bravo of AB Asesores Moneda, a financial research firm in Mexico, said the impact of the General Motors strike on Mexican autoparts manufacturers, though short-lived, was a "warning shot" of how dependent Mexican companies are on US markets.

He also warned of increasing competition from Asian products benefiting from devalued currencies.

"Even though second-quarter results weren't that bad, those that are coming are going to be worse," Mr Bravo said. "No one is keen to buy."

The economy's prospects are further clouded by the cumulative impact of three budget cuts that have lopped some $4bn off public spending, much of it programmed for the second half of the year. The cuts were sparked by a slump in oil prices, which is also expected to constrain next year's budget.

In addition, Banco de Mexico, the central bank, has sought to apply the brakes, twice tightening monetary policy to curb inflation.

But the darkest cloud is the US stock market, which sideswipes its southern neighbour whenever it tumbles, as it did last week. More than with any other Latin American market, the fate of Mexico's bourse, for now, lies in the perspiring hands of Wall Street.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Telefónica (Spain)	Telesp (Brazil)	Telecoms	$5bn	Doubts emerge
Houston (US)/Electricity of Caracas (Venezuela)	Electrocaribe/Electrocosta (Colombia)	Power	$454m	Sealed bid win
Esselte (Sweden)	Leitz (Germany)	Office products	$328m	New Euro No 1
NEC(Japan)/Bull(France)	Packard Bell (US)	Electronics	$250m	NEC control
Citibank (US)	Confia (Mexico)	Banking	$185m	Finally complete
Keane (US)	Icon Systems (UK)	Computer servcs	$50m	Europe debut
Greencore (Ireland)	Paramount Foods (UK)	Food	$47m	Recommended
Filtronic (UK)	LSS (US)	Semiconductors	$43m	Technology buy
Alico (US)/CEH (Greece)	Post Bank (Bulgaria)	Banking	$38m	Privitisation stake
Willis Corroon (UK/US)	BMZ (Mexico)	Insurance srvcs	n/a	50% stake

Higher losses at Saab in first half

By Tim Burt in Stockholm

Saab, the Swedish motor vehicle manufacturer, has announced sharply higher first-half losses following production stoppages and increased costs associated with the US launch of its flagship 9-5 model.

The company, managed and 50-per cent owned by General Motors of the US, said pre-tax losses deepened from SKr600m to SKr978m ($122m) in the first half of 1998, even though sales rose from SKr11bn to SKr12.9bn.

Saab officials blamed the increased losses – considerably worse than analysts' expectations – on the affect of Denmark's general strike in May, when component shortages forced the company to suspend production.

Robert Hendry, chief executive, said the industrial action was the main factor behind operating losses that almost doubled from SKr364m to SKr615m.

"We plan to make up the volume lost due to the Danish work stoppage and will launch our next new model – the 9-5 Wagon – in the autumn," he said.

Mr Hendry also predicted that Saab would move into profit in the fourth quarter, although full-year results would still be negative.

The company last reported a quarterly profit in 1995. Since 1989, when GM bought its stake from Investor, the main investment vehicle of the Wallenberg business empire, Saab has accumulated losses of SKr12bn.

In the first half of this year, unit sales increased sharply, following the launch of its new 9-5 saloon.

Supply shortages and distribution problems in the US, where dealerships ran short of models and could not meet customer orders, undermined strong demand for the car, developed at a cost of SKr5.5bn.

Saab confirmed it had resolved supply problems in the US. Of the estimated 10,000 cars produced by Saab in July, 50 per cent were sent to North America.

Overall, retail sales rose 14 per cent to 58,077 cars in the first half of 1997 but Saab is not expected to break even before it reaches sales levels of 127,000 cars a year. Production this year is expected to reach 120,000 units.

In its international markets, Saab saw strongest sales growth in France and Spain, of 56 per cent and 72 per cent respectively.

Mr Hendry claimed Saab's growth was on target. In addition to the station wagon launch later this year, it will unveil a sports car in the spring.

PROJECT FINANCE APPETITE EVAPORATES FOR EMERGING MARKET RISK

Asia crisis hits dream sector

By Simon Davies
Capital Markets Editor

Project finance was a dream sector for banks looking at ways to shift away from increasingly competitive domestic markets and improve margins.

With the World Bank predicting demand for some £1,262bn of infrastructure investment in Asia alone in the decade to 2004 – and this is its low-growth scenario – there was no questioning the demand for capital.

Also, given levels of economic growth in Asia-Pacific and parts of Latin America, concern seemed to be receding about risks of lending to these countries.

However, the Asian crisis has burst this bubble, presenting project financiers with the unpleasant combination of collapsing currencies and economic growth rates throughout most of the region.

This means revenues from infrastructure projects fall with consumer demand, and the value of these revenues in dollar terms collapses. The denouement is going to be painful for the banking sector in areas from Pakistan and Indonesia to Russia and parts of Latin America.

Kevin Files, head of project finance at HSBC, argues: "Some projects are so obviously in trouble that it is not conceivable that the whole loan could be repaid. But it is too early to say whether overall losses to the banks will be substantial."

Moody's has already warned of the high risk of default on four rated Indonesian project bonds with a value of $855m.

Thailand, Korea and Pakistan also offer considerable problems. Even China, which had been the great hope for bankers at the start of the year, could devalue its currency, presenting bankers with a domino effect.

Of course, it is not all bad news. Activity in the US market, for example, has been increasing rapidly with energy deregulation.

In the UK, PFI activity has picked up, and the Middle East and parts of Latin America remain fairly active.

However, the Asian slowdown has also hit commodity prices – a big disincentive for oil, power or chemical plants – and even India, one of the big potential markets, has been damaged by US embargoes following its nuclear testing.

This has all followed a period when banks geared up resources to develop a supposedly lucrative new market, so cuts are being pushed through rapidly.

As Mr Files said: "The level of activity for Asian projects in 1999 is going to be 10 or 20 per cent of what it was a few years ago, and you could argue the business was over-banked then."

Considerable capacity is coming out of the market. Partially, this is the response of troubled Asian banks reining in their balance sheets. In addition, there is the impact of a number of bank mergers, such as the Union Bank of Switzerland with Swiss Bank Corp.

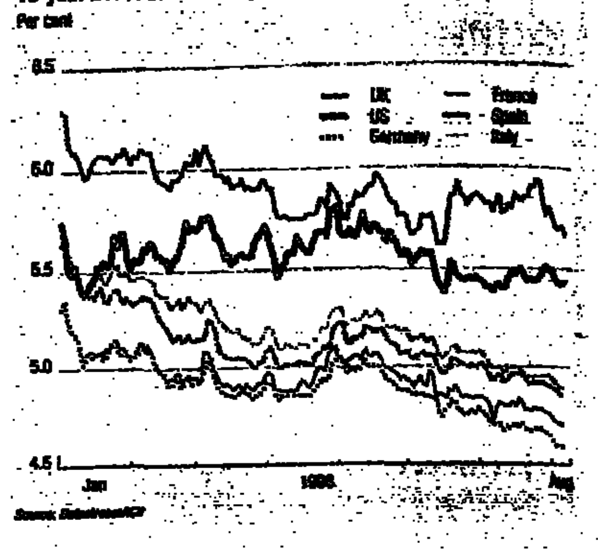
And then there are the banks that are recognising that they have not been getting a return from the business that reflects the risks.

The big issue for continuing participants, is whether the supply of capital will diminish faster than the supply of genuinely attractive projects. At the very least, banks will take a far more aggressive stance towards pricing risk.

As many of the standard syndicate members of old disappear, the remaining banks are being forced to take more loans on their own balance sheets.

10-year benchmark bond yields

Per cent



"The underwriting risk for those banks that want to remain key players in this market has increased substantially over a year ago. The key to success in this market going forward is to find multiple sources of capital," said Adebayo Ogunlesi, managing director and head of global project finance at Credit Suisse First Boston.

The capital markets themselves have been viewed as the great hope for project finance, and $4.8bn of project bonds have been issued so far this year, according to CSFB. However, bond investors' appetite for emerging market project risk has evaporated.

For one recent Mexican project, the bank loan tranche paid 200 basis points over Libor, while bond investors demanded a yield spread of more than 600 basis points, making the capital markets look an expensive luxury.

The bond markets, however, can still supplement banks' own balance sheets, as was demonstrated by CSFB's successful launch of AAA rated Project Funding Corporation 1 bonds, which were backed by the cashflow from a number of CSFB-funded projects.

The bank is now working on a second tranche, which would allow CSFB to raise capital for future projects, as well as refinancing existing ones.

The international capital markets will also face a significant additional test in the final quarter.

Sincor, a Venezuelan oil project, is due to raise $1.5bn from a bond issue, after signing up $1.2bn from a bank syndicate. This will be an important bellwether for the project bond market.

Rod Morrison, editor of IFR Project Finance International magazine, argues: "It has returned to a normal market. It is not all perceived to be good, as it was a year or two ago, when everyone wanted to lend."

Normality, however, could prove a painful learning experience.

Warning hurts Canadian banks

By Scott Morrison in Toronto

Canada's bank shares fell after a profit warning from Canadian Imperial Bank of Commerce on Friday sparked fears of a slowdown in the sector.

"There is concern that the party may be over," said one financial services analyst.

The Toronto stock exchange's banking sector index closed down almost 6 per cent, with CIBC leading the decline. The bank's share price fell 16 per cent to C$37.15, knocking C$2.9bn (US$1.9bn) off its market capitalisation.

Shares of Toronto-Dominion Bank, which has agreed to merge with CIBC, also fell almost 7 per cent, to close at C$52.70.

Observers said lower than expected CIBC third-quarter results would probably not affect the proposed merger, one of two pending regulatory approval.

Most Canadian banks are expected to report lower or flat third-quarter earnings compared with the previous period and the third quarter last year. Roy Palmer, analyst with Toronto Dominion Securities, expects only Royal Bank to report higher third-quarter earnings.

CIBC said third-quarter earnings would be about 50 cents per share, down sharply from an expected 85 cents owing to weak capital market revenues and higher expenses linked to its acquisition last year of Oppenheimer, the US equity dealer. CIBC's results for the third quarter, ended July 31, are expected in early September.

Canada's top five banks each own one of the country's largest brokerage firms and were expected to be affected by sagging capital markets.

Shares in Royal Bank, Bank of Nova Scotia and Bank of Montreal also slipped on Friday, although they are not seen to be as vulnerable to capital markets weakness as CIBC, which has been more aggressive in expanding its investment banking operations.

The overall decline in bank shares contributed to a 0.5 per cent slide in the key TSE 300 index on Friday.

Bank shares were also hit by Canada's falling dollar. The weak dollar has also heightened speculation that the Bank of Canada will be forced to raise its overnight interest rate, which would hit demand for loans and affect commercial banks' profits.

Furthermore, analysts were concerned that sputtering economic growth could lead to a rise in loan-loss provisions during the latter part of this year. But they said most will again report record profits for 1998 given the industry's strong performance in the first half of the year, during which the five banks earned C$3.7bn.

The top five banks have posted record profits for the past four years, reaching a collective C$7.1bn in 1997.

Statistics Canada recently reported that financial service sector activity in May declined 1.7 per cent as volumes of stock traded fell, but the agency said early indications were that the industry was recovering in June.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 7, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MARKETS WEEK

August 10 - August 16

NEW YORK

By Richard Tomkins

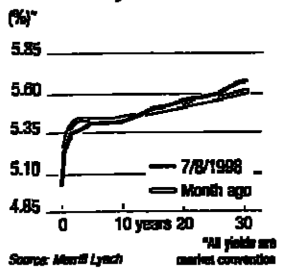
It threatens to be a week of high anxiety in US equity markets after last Tuesday's 299.43 fall in the Dow Jones Industrial Average and the volatility that followed.

On Friday, equities rallied for a third day, but the Dow and S&P 500 indices gave up most of their gains in late trading, indicating a lack of confidence in prospects for a *sustained rally*.

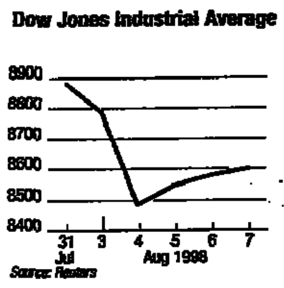
On a more bullish note, US retailers start reporting second-quarter results this week, and should show healthy profit increases. But even this could be seen as bad news by the bears, who may take it as evidence that consumers have decided to spend their money on goods instead of stocks.

Treasuries have been range-bound, with the yield on the 30-year bond continually flirting with the 5¼ per cent level but failing to break through. This week could further test those yield lows, especially if equities show further weakness.

Benchmark yield curve



Dow Jones Industrial Average



A decisive factor could be the degree of market confidence in the ability of Japan's new leadership to engineer economic recovery. If confidence remains low, the likelihood of further dollar appreciation against the yen could boost Treasury prices, pushing yields into new territory.

LONDON

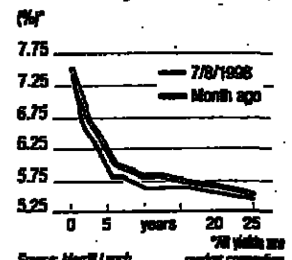
By Philip Coggan

The Bank of England's monetary policy committee left rates on hold last week, and this week we should discover why. The quarterly inflation report will presumably suggest inflation is heading for the 2.5 per cent target, otherwise the decision will seem odd.

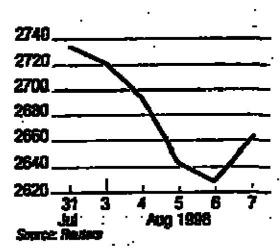
But the market will be reading the report carefully to see the committee's reaction to government spending plans, and for any suggestion that rates have peaked. On the same day, the minutes of the July committee meeting will be released, allowing analysts to see how many members were pushing for a rate rise.

The key statistic of the week will be average earnings figures, cited by the Bank when it sanctioned the June rate rise. The consensus forecast, according to Standard & Poor's MMS, is for the annual rate of increase to slip to 5.3 per cent, from 5.4 per cent.

Benchmark yield curve



FTSE All-Share Index



But the markets will also be keeping an eye on the British Retail Consortium survey and the producer prices figures.

After the recent downward revisions to corporate earnings forecasts, figures from Inchcape, BSkyB, CGU and Orange will all be watched closely.

FRANKFURT

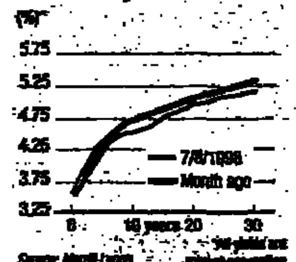
By Graham Bowley

Frankfurt remains nervous after the gyrations in share prices last week which followed the weakness of the US market. Analysts expect the correction to continue after the strong rise in share prices in Germany this year, but they forecast the correction to be only a mild one. In spite of the falls earlier in the week, Frankfurt's blue-chip DAX index closed up 1.03 per cent at 5,585.20 at the end of Xetra electronic trading on Friday.

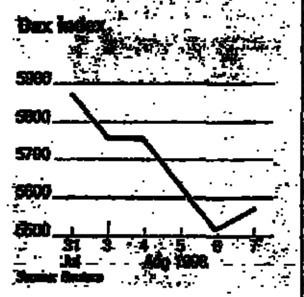
One uncertainty for investors in the German market is the national election next month. Gerhard Schröder, the left-wing challenger to the chancellor, Helmut Kohl, is leading opinion polls, but investors are unclear about the new policies he could introduce, were he to win.

Unfortunately for Mr Kohl, the economy is showing few signs of stronger growth, with data last week showing unemployment still at high

Benchmark yield curve



Dax Index



levels and industrial production weak.

Qiagen, the biotechnology group, listed on the Neuer Markt, the exchange for small, hi-tech companies, publishes half-year results today. Henkel reports on first-half business tomorrow, while Mannesmann and Veba report on Thursday.

TOKYO

By Khozem Merchant

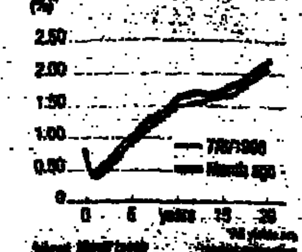
After prime minister Keizo Obuchi's disappointing policy speech on Friday, attention is now focused on the passage of the government's "bridge bank" scheme to close failed banks, which will be introduced in parliament this week.

The markets have given their verdict on Mr Obuchi and his agenda but salvation for the new administration may lie in the swiftness with which it legislates to clean up the banking sector.

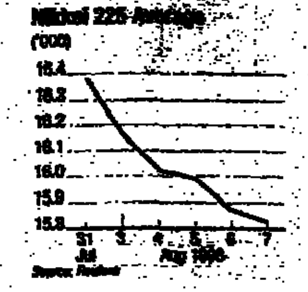
One increasingly important factor will be the opposition Democratic Party, which opposes the bridge bank proposal as currently formulated. Mr Obuchi indicated at the weekend he was prepared to meet the opposition for talks.

Meanwhile, in the real economy, markets will be watching for further signals of deflation, with the publication of the July wholesale price index on Tuesday. In recent months the index has been negative

Benchmark yield curve



Nikkei 225 Average



and a continuation of this is likely. On Wednesday, revised industrial production and capacity utilisation data for June are released, while Thursday sees the June current account figure, which should show the trade surplus continuing to balloon, helped by the weak yen.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
–	F.P.	7.45	67½	54½	AdVal	55½		–	–	–	15.0
§100	F.P.	39.0	108½	103½	†Anglo Siberian Oil	107½		–	–	–	–
§150	F.P.	98.3	164½	149	Bel Regal Air	152	–½	L1.48	0.9	1.2	54.8
§	F.P.	16.9	11½	10	†CCM Distribution	10¼		–	–	–	–
§100	F.P.	11.7	62	54½	†City Gourmets	56		–	–	–	–
160	F.P.	1,857	192½	166½	Coca-Cola Bev	174	–2½	–	–	–	–
§–	F.P.	3.64	30	25½	†Downtex	28		0.4	5.2	1.9	12.6
§	F.P.	210.4	2475	1887½	ECsoft	1930		–	–	–	–
–	F.P.	134.0	231½	176½	Game	181½		L2.64	3.0	1.8	22.9
§–	F.P.	33.8	152½	147½	Hidden Hearing	150½	+1½	3.33	3.1	2.8	14.7
–	F.P.	398.8	95	95	MEPC Non Cum Pf B	95		–	–	–	–
§100	F.P.	128.8	108½	98½	Mira Cardo High Inc	103		N9.2	–	11.2	–
§	F.P.	10.3	13¼	10½	†Murray Find	10¼		–	–	–	–
§	F.P.	38.6	210½	162½	†Policy Master	202½		–	–	–	44.3
§–	F.P.	–	182½	182½	†Premier Direct	182½		–	–	–	–
–	F.P.	46.9	157½	118½	Quantica	130½	+½	–	–	–	20.3
233	F.P.	316.9	242	207	Selfridges	207½	–3½	14.5	–	2.7	–
*	F.P.	21.3	65½	45½	†Sodra Petroleum	52½		–	–	–	–
§*	F.P.	8.05	147½	127½	†Springboard Vent	147½		–	–	–	–
*	F.P.	5.51	103½	100½	†SuperData	100½		–	–	–	–
–	F.P.	301.4	304	237½	Torotrak	262½	+8½	–	–	–	–
–	F.P.	12.5	145	117½	†Touchstone	128½		L1.0	6.9	1.0	18.6

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
250	Nil	12/8	114½pm	66½pm	Metroline	68½pm	–1½
180	Nil	24/8	30pm	19½pm	Pressac	23½pm	+1
300	Nil	17/8	10pm	¾pm	Torotrak	¾pm	–¼
210	Nil	14/8	51pm	11pm	Wellington Underwrtg	11pm	–½

pm premium.

FTSE GOLD MINES INDEX

	Aug 7	% chg since 31/12/97	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (28)	894.34	–15.6	27.76	100.00	2.19	–	1536.45	883.73
In Regional Indices								
Africa (10)	996.29	–9.8	8.12	29.25	4.75	38.14	1525.29	914.31
Australasia (7)	1007.48	–12.9	2.62	9.44	3.20	6.87	1609.85	933.63
Americas (11)	844.95	–18.9	17.02	61.31	0.81	49.43	1574.16	837.57

Copyright, FTSE International Limited 1998. All rights reserved. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. QUARTER END CONSTITUENT CHANGE: Addition: Buenaventura ADR (Americas).

STOCK INDICES

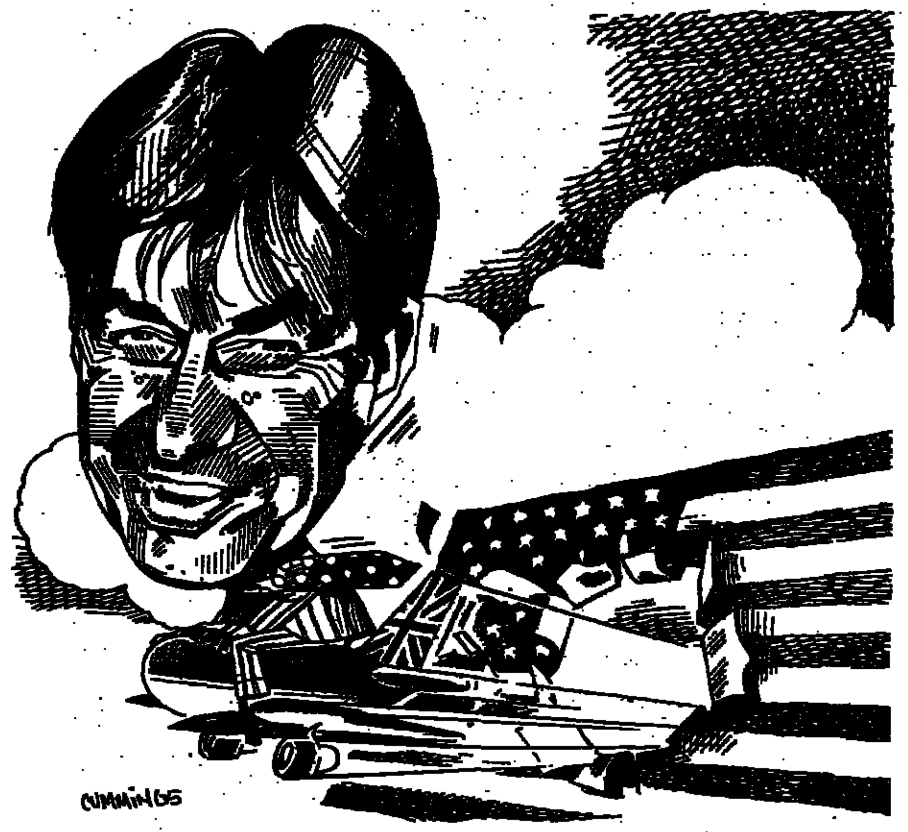
	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	5680.4	5594.1	5632.5	5738.1	5809.7	6179.0	5089.8	6179.0	986.9
FTSE 250	5323.0	5311.0	5321.5	5444.9	5447.9	5986.6	4769.2	5986.6	1379.4
FTSE 250 ex IT	5367.2	5358.2	5365.9	5488.6	5492.5	6030.0	4822.5	6030.0	1378.3
FTSE 350	2735.1	2700.0	2716.1	2768.6	2797.7	2967.8	2444.7	3548.4	664.5
FTSE SmallCap	2413.1	2413.25	2415.15	2457.32	2460.27	2668.09	2320.18	2668.09	1363.79
FTSE SmallCap ex IT	2385.65	2385.51	2393.88	2433.58	2437.67	5554.16	2316.19	5554.10	1363.79
FTSE All-Share	2660.68	2628.50	2643.40	2694.05	2721.09	2885.17	2389.32	2885.17	61.92

	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE Fledgling	1320.45	1320.15	1320.06	1344.32	1348.54	1517.11	1285.77	1517.11	31.14
FTSE Eurotop 100	2792.67	2746.99	2787.71	2849.49	2881.33	3068.91	2236.40	3068.91	2044.47
FTSE Eurotop 300	1217.49	1198.69	1212.82	1239.50	1244.76	1327.86	971.93	1327.86	874.08
FT 30	3662.1	3610.3	3619.0	3682.8	3700.3	3984.0	3235.4	3984.0	49.4
FT Govt Securities	105.93	106.87	105.58	105.79	105.75	108.77	93.31	141.94	49.18
FT Fixed Interest	144.46	144.40	144.28	144.65	144.36	146.76	115.32	146.76	50.53
FTSE Gold Mines	894.34	898.67	901.79	893.04	883.73	1361.57	883.73	2074.81	883.73

COMPANIES DIARY

Oil price fall should help BA figures

Analysts would be pleased to hear of progress on the planned link with American Airlines when British Airways today announces results for the first quarter to June, although no significant news is expected. The strength of sterling is likely to have had an effect, but the fall in the oil price should work to the advantage of BA. Growth in passenger volume is likely to be respectable, partly because industrial action last year held back passenger numbers. An underlying pre-tax advance of 11 per cent to £100m ($165m) is expected by BT Alex Brown.



Richard Ayling of British Airways: hoping for a US breakthrough

● The impact that the latest wave of uncertainty from Asia has had on Inchcape, one of the UK's oldest trading companies, will be keenly analysed when it announces interim figures. About 40 per cent of the company's profits are generated in Asia and the troubles in the region will have taken their toll. The company recently announced plans to break itself up, and investors may be nervous over the timing. There may be an announcement that the Russian bottling operations have been sold. The UK motors division is expected to have done well, although it may be affected by the impact of falling resale values of used cars that has hurt Arriva and Car Group. BT. Alex Brown expects a decline of about 26 per cent to £58m pre-tax.

TUESDAY

● Third-quarter figures from industrial gases group BOC will probably be overshadowed by an update on its plans for a shake-up. The first-half results in May included a commitment to a range of programmes to control costs and improve sales, which would be unveiled with these results. The scale of the changes and the results that the management expects will be keenly analysed. Job cuts are likely, with some analysts suggesting 10 per cent of employees may have to go. The gases business is expected to be healthy while the strength of sterling will yet again have hurt the bottom line. First-half profits were down 17 per cent because of currency and Asia. A pre-tax fall of about 16 per cent to £270m is expected.

● Hunter Douglas is expected to report net profit of Fl 88.5m-Fl 90.7m ($43.3m-$44.4m) for the first half to June 30, compared with Fl 76.3m a yearearlier, according to analysts' forecasts. *AFX, Amsterdam*

● The first set of interim figures from Nycomed Amersham should give analysts an opportunity to achieve a clearer understanding of the company formed from the merger of Amersham International and Nycomed of Norway last year.

There are no comparative figures but about £110m-£115m pre-tax is likely this time. Analysts will be keen to hear of the effect of the company's exposure to currencies, particularly the yen.

● Weakness in its US markets is likely to have affected interim figures from Smith & Nephew, which are expected to have fallen about 11 per cent to £70m pre-tax. Nevertheless, the shares have found support on hopes of consolidation in the industry.

WEDNESDAY

● Cables group BICC will probably have suffered from the effects of competitive pricing, the strength of sterling and Asian turmoil in its first half. Although margins at Balfour Beatty may well have improved, an underlying pre-tax decline of about 13 per cent to about £50m is expected.

● CGU, the insurer formed by the merger of General Accident and Commercial Union, will have suffered from the effects of bad weather in the US, where GA was particularly strong. Ice storms in Canada will also have hit profits, while insurance in the UK will contribute to the profits decline. Pre-tax operating profits are expected to fall by almost half, to £270m.

THURSDAY

● Getronics, the Dutch *information technology company*, is likely to report net profits of Fl 104-Fl 118.4m, compared with Fl 79m in the first half of 1997, according to analysts. They put Getronics' operating result in a range of Fl 104m-FL 148.6m, up from Fl 107.8m, with earnings per share of Fl 1.16-Fl 1.32 compared with Fl 0.9 in 1997. *AFX, Amsterdam*

CONTRACTS & TENDERS

LEGAL NOTICES

IN THE MATTER OF
MAINTAINER DEPOT SERVICES LIMITED
PH FABRICATION AND SUPPLIES LIMITED
AND IN THE MATTER OF THE INSOLVENCY RULES 1986

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Bell Atlantic(a)§	3.1bn	Sep 2005	4.25	100.00	-	-	Warburg Dillon Read
Fokus Bank‡	250	Sep 2005	(b)	99.948	-	-	Chase Manhattan Intl
Fannie Mae(c)★	3bn	Apr 2003	5¾(d)	100.109R	5.721	+27½(Jan03)	CSFB/Goldman/MSDW
Rio Tinto Canada	300	Aug 2003	6.00(f)	99.625R	6.042	+49(5⅝-Jan03)	ABN Amro
Sallie Mae★‡	300	Aug 1999	5.5825	100.00	5.583	-	Lehman Brothers
KfW International Finance	200	Aug 2001	5.75	100.107R	5.710	20(5⅝-May01)	Dresdner KB
Countrywide Home Loans‡	100	Aug 1999	(j)	99.941	-	-	Lehman Brothers
Federal Home Loan Banks	1.5bn	Aug 2001	5.50§	99.719R	5.603	+24(5⅝-May01)	ABN Amro/Barclays
WorldCom Inc(j)	1.5bn	Aug 2001	6⅛(k)	99.886R	6.163	+70(6⅝-Jul01)	Salomon Smith Barney
WorldCom Inc(j)	600	Aug 2003	6¼(k)	99.978R	6.256	+89(5⅝-Jan03)	Salomon Smith Barney
WorldCom Inc★(j)	2.25bn	Aug 2005	6.40(k)	99.798R	6.436	+94(6½-Aug05)	Salomon Smith Barney
WorldCom Inc★(j)	1.75bn	Aug 2028	6.95(k)	99.085R	7.025	+135(Nov27)	Salomon Smith Barney
GECC(l)	150	Aug 2013	0.00(q)	99.617R	5.93	+49(5⅝-May08)	ABN Amro/Merrill Lynch
BMW Australia Finance(n)	100	Feb 2002	5.00	97.234R	5.896	+43(5⅝-May01)	Deutsche/JP Morgan
Rabobank Nederland(p)(r)★	150	Aug 2004	1.875	100.00	-	-	Merrill Lynch Intl
Ball Corp★	300	Aug 2008	7¾(s)	100.00R	7.75	+224(7-Jul08)	Lehman Brothers
Ball Corp★	250	Aug 2008	8¼(s)	100.00R	8.25	+282(5⅝-May08)	Lehman Brothers
Philippines Central Bank★‡	250	Aug 1999	(t)	100.00	-	-	ING Barings
D-MARKS							
Mannheimer Hypo(p)	1bn	Sep 2003	4.25	99.09R	4.457	+11(5-Jul03)	CWDG Bank/Rabobank
Sabadell Intl Finance★‡	100	Jan 2001	(v,v)	100.085	-	-	Tokyo-Mitsubishi
KfW	1bn	Aug 2018	4.75	98.65R	4.901	+30(4¾-Jul08)	CWDG Bank/Rabobank
EIB(p)	275	Aug 2008	5.00	100.875R	4.990	+39(4¾-Jul08)	Deutsche Bank
STERLING							
Alliance & Leicester Grp‡	300	Sep 2003	(x)	100.004	-	-	HSBC Markets
KfW International Finance(l)	75	Nov 2004	6.625	100.897R	6.439	+40(6¾%-04)	Goldman Sachs Intl
Alliance & Leicester Grp Tsy	75	Sep 2015	6.50	99.767R	6.523	+80(8%-2015)	HSBC Markets
FRENCH FRANCS							
GECC	1.2bn	Sep 2011	5.60	99.378	5.674	+23(l)	Paribas
ITALIAN LIRE							
Inter-American Dev Bk(q)‡	150bn	Sep 2016	(A1)	99.50R	-	-	Morgan Stanley DW
World Bank(A)‡	150bn	Sep 2015	(A1)	99.75R	-	-	Sanwa International
Ohio Funding Corp(B)‡	140bn	Sep 2003	(B1)	100.00	-	-	Merrill Lynch
Swedish Export Kredit(C)	500bn	Sep 2028	zero	1.15R	-	-	Banca di Roma

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
SWISS FRANCS							
Merrill Lynch & Co‡	150	Nov 1999	(f1)	100.05	-	-	Merrill Lynch Cap Mkts
Merrill Lynch & Co‡	200	Aug 2001	(f2)	100.00	-	-	Merrill Lynch Cap Mkts
Dresdner Finance(D)	200	Aug 2008	3.625	102.70	-	-	CSFB
Municipality Finance	150	Sep 2003	2.75	101.35	-	-	Warburg Dillon Read
BNG(E)	100	May 2008	3.25	100.75	-	-	ABN Amro Bank(Zurich)
EUROS(e)							
Lehman Brothers Hldgs plc‡	450	Aug 2003	(k)	99.798R	-	-	Lehman Brothers Intl
Kingdom of Denmark	98	Sep 2001	3.70	100.00	3.700	-	Nikko Europe
LUXEMBOURG FRANCS							
Argentaa Nederland	2bn	Sep 2003	4.60	100.00	4.600	-	BCEE
SOUTH AFRICAN RAND							
World Bank(n)	200	Aug 2001	16.00	99.82	16.08	-	RBC DS Global Markets
World Bank(o)	100	Aug 1999	16.00(l)	99.23	16.89	-	RBC DS Global Markets
GREEK DRACHMA							
Merrill Lynch & Co‡	20bn	Oct 2003	(u,u)	99.90R	-	-	Merrill Lynch Intl
Norddeutsche Landesbank	13bn	Aug 2001	8.625	99.75R	8.723	-	Chase/NBG Intl
World Bank(m)	20bn	Aug 2001	8.50	99.9775R	8.509	-	RBC DS Global Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. ¶Semi-annual coupon and yield. R: fixed re-offer price. a) Exchangeable into shares of Cable & Wireless Communications at £7.00. FX: 1.63639/£. Redemption price: 108%. Callable from 15/8/02 at accreted value. b) 3-mth Libor 12½bp. c) 3-mth Libor flat. d) 3-mth Libor +⅛%. e) Payments in Ecu prior to Emu. Spread relates to French govt Ecu bonds. f) Fungible with £275m. Plus 254 days accrued. g) 1-yr T-bills flat. h) Fungible with $4bn. Plus 121 days accrued. i) Over interpolated yield. j) 3-mth Libor +15bp. k) 3-mth Libor +27bp. l) Long 1st coupon. m) Dr10bn launched 28/7/98 was increased to Dr30bn. n) R200m launched 21/7/98 increased to R400m. o) R200m launched 16/7/98 increased to R300m. p) Deutsche Pfandbrief. q) Makewhole call. s) Short 1st coupon. t) Fungible with $150m. Plus 14 days accrued. u) Fungible with $150m. Plus 196 days accrued. v) Callable from 2/9/03 at par. v1) 12% in yr 1, 6% in yrs 2-5, then 15% - 2 x 12-mth Libor. W1) 3-mth Libor flat. w2) 3-mth Libor +7.5bp. x) Includes DM75m increase at 100.25R, +38bp. y) Exchangeable into shares of ABN Amro Holdings at Fl 68.50. FX: 2.007 Fl/$. Callable after 3 yrs at par. z) Either 12-mth Libor +75bp or 6-mth Portuguese T-bills - 225bp x (FX spot/FX maturity). A) Callable annually from Sep 04 at par. A1) 11.25% in yr 1, 9% in yrs 2-4, 5% in yrs 5-6, then 15% - 2 x 12-mth Libor. B) Secured on Italian trade receivables. Legal maturity 10/9/04. Av life: 4.7 yrs. B1) 3-mth Libor +22bp. C) Credit linked to Russian Ministry of Finance. Callable on 4/9/08 at 5%. D) Fungible with SFr300m. Plus 42 days accrued. E) Fungible with SFr200m. Plus 97 days accrued.
Note: Yields are calculated on ISMA basis.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey National Treasury 6% Gtd Nts 1999 £60
Do 6% Gtd Nts 2002 L300000.0
Do Cno-Tec 10 Lkd FRN 2009 FFr11050.0
American Express $0.225
British Steel 7p
Chubu Electric Power 6¾% Nts 1999 £67.50
Conversion 9¾% 2001 £4.875
Crabtree 1p
Electrocomponents 6.2p
Kobe 8⅞% Gtd Bd 1999 $443.75
Metroline 2.1p
Nomura Int Sb FRN 2004 $144.55
Quadrant Housing Fin Gtd Sec Stppd Coupon Bd 2018-2033 £247
Readicut Int 1.95p
Shelton (Martin) 3p
Sterling Inds 7.5p
Treasury 6% 1999 £3
VTech $0.10

■ TOMORROW
Avesco 4p
Bradford & Bingley Bldg Scty FRN Feb 1999 £190.62
BT Fin 8¾% Gtd Bd 1999 $437.50
Do 8⅞% Gtd Bd 2009 $438.25
Hapoalim Int Gtd FRN 2000 $295.38
Ladbroke 8⅞% Bd 2003 £443.75
Latham (James) 6 5p
Mazda Motor 5.1% Bd 2000 Y510000.0
Do FRN 2000 Y23079.0
Sedgemoor 1.5p
Severn Trent B 1.06875p
Staveley Inds 6.5p
TLG 3.1p
Trinity Care 3.7p
Victorian Public Auth Fin Agency 9¼% Gtd Bd 1999 £96.25

■ WEDNESDAY AUGUST 12
Aberdeen New Dawn Inv Tst 1.65p
Babcock Int 1.11p
Birmingham Midshires Bldg Scty FRN 1999 £190.62
European Colour 1.635p
Henderson Geared Inc & Grwth Tst 2.25p
Mansfield Brewery 5.65p
Nova Scotia FRN 2001 $14.534722
Penna 1.3p
Vosper Thornycroft 20 35p
Woolwich Step-up Callable Sb FR Bd 2012 £196.92

■ THURSDAY AUGUST 13
Brockhampton 3.2p
Do A N/Vtg 3.2p
Century Inns 2.4p
Electra Inv Tst 5.175p
Metrotect 1p
New Inv for Trans Class Asset-Bckd FRN Feb 2011 £22.36
Do Class B May 2011 £23.43
Do Class C May 2011 £24.71
Nordic Inv Bank 7¾% Nts 1998 £77.50

■ FRIDAY AUGUST 14
Castings 4.17p
Cropper (James) 3.6p
DBS Mngmnt 3.1p
De La Rue 4.5p
Deltron Elec 1.18p
Friendly Hotels 3.7p
GB Railways 5p
Hornby 5p
Imperial Tobacco 7.6p
Kiln Capital 12.4p
Macdonald Hotels 3.35p
Marsh & McLennan $0.40
Pilkington 3.25p
RPC 3.15p
Ramsden's (Harry) 1p
SDX Business Systems 1p
Savoy Asset Mngmnt 2p
Scapa 5.59p
Scottish Metropolitan Prop 10¼% 1st Mtg Db 2016 £5.125
Somic 1.925p
Tanjong M$0.22
Umeco 4.9p
Viridian Un Var Rate Ln Nts 2003 1.799067p
Vodafone 2.82p
Workspace 12p

■ SATURDAY AUGUST 15
Abbott Labs $0.15
Anglo American Inv Tst 6% Gross Cm Pf R0.06
Fishguard & Rosslare Rlwys & Hrbrs 3½% Gtd Pf 1.225p
Jarvis Hotels 3p

■ SUNDAY AUGUST 16
Treasury 2½% IL 2013 £2.2421

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Aberdeen New Dawn Inv Tst, 1, Bow Churchyard, Cheapside, E.C., 12.00
MS International, Doncaster Moat House, Warmsworth, Doncaster, 12.00
BOARD MEETINGS:
Final:
Stoves
Interims:
Inchcape
Saatchi & Saatchi
Silvermines

■ TOMORROW
COMPANY MEETINGS:
Anite, 353, Buckingham Ave, Slough, Berks., 11.30
Safeland, 144, Great North Way, Hendon, N.W., 11.00
BOARD MEETINGS:
Final:
Milner Estates
Interims:
Hall Eng
Headlam
Nycomed Amersham
Quantica
Sanderson Bramall
Sedgwick
Smith & Nephew
Thompson Clive Inv

■ WEDNESDAY AUGUST 12
COMPANY MEETINGS:
Bakery Services, Barnsgate Manor Vineyard, Herons Ghyll, Uckfield, East Sussex, 3.00
Mountview Estates, Kenilworth Hotel, Great Russell Street, W.C., 11.30

BOARD MEETINGS:
Finals:
VDC
Westminster Health Care
Interims:
BICC
CGU
Morgan Sindall

■ THURSDAY AUGUST 13
COMPANY MEETING:
AIT, 309, Reading Rd, Henley-on-Thames, Oxon., 10.30
BOARD MEETINGS:
Interims:
Independent Insurance
Portmeirion

■ FRIDAY AUGUST 14
Finals:
Crown Eyeglass
Slug & Lettuce
Interim:
Sherwood Int

■ SATURDAY AUGUST 15
BOARD MEETINGS:
Final:
Peterhead

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

CURRENCIES & MONEY

Bank mettle tested

By Simon Kuper

The yen, Hong Kong dollar and Canadian dollar are being kicked about. Do their central banks care enough to save them?

The yen starts this week barely Y1 above its eight-year low of Y146.75 against the US dollar. The market is beginning to feel that no stimulus Tokyo can give will lift the Japanese economy soon. Furthermore, Japan seems to have become less keen on intervening for its currency. With very few yen bulls left, traders will try to push the yen below Y146.75 against the dollar, and see if the Bank of Japan responds.

It could take the Bank of Canada as its model of belligerence. Last Thursday and Friday, the Canadians intervened in the market at all levels to buy their currency, which has got into the habit of hitting a new post-1858 low almost every day. The Bank of Canada is now the main buyer in the market, so traders will simply have to calculate whether it will buy more than they can sell. The Canadian dollar's slide has been long rather than steep, and David Abramson, at the Bank Credit Analyst Currency Service in Montreal, says the currency is still only 4 per cent undervalued.

The Hong Kong Monetary Authority will also have its mettle tested. Last week investors bet China would soon devalue the yuan and the Hong Kong dollar, and they assaulted Hong Kong shares and currency forwards. Various Hong Kong officials swore they would never desert the currency peg with the US dollar.

However, central bankers always insist they will never devalue until the day they do. And the HK dollar and the yuan have been rendered far less competitive by the slide in the yen and other Asian currencies.

No earth-shattering economic data are due out this week, although traders will scan the Bank of England's quarterly Inflation Report on Wednesday to see if UK base rates have peaked.

POUND SPOT FORWARD AGAINST THE POUND

Aug 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.3604	+0.0477	512 - 695	20.4033	20.3177	20.2898	4.2	20.1529	4.1	19.6514	3.5	103.7
Belgium	(BFr)	59.6659	+0.1358	170 - 148	59.7870	59.5790	59.4584	4.2	59.053	4.1	57.5884	3.5	103.2
Denmark	(DKr)	11.0337	+0.0342	269 - 405	11.0512	11.0074	11.0018	3.5	10.9378	3.5	10.6863	3.1	108.1
Finland	(FM)	8.7985	+0.0202	924 - 045	8.8170	8.7850	8.7683	4.1	8.709	4.1	8.4888	3.5	81.9
France	(FFr)	9.6987	+0.0232	957 - 037	9.7227	9.6824	9.6657	4.2	9.5999	4.1	9.3569	3.5	106.6
Germany	(DM)	2.8938	+0.0068	926 - 950	2.9017	2.8872	2.8836	4.3	2.8638	4.1	2.7935	3.5	105.9
Greece	(Dr)	479.428	+0.404	123 - 733	481.412	477.380	481.218	-4.5	484.662	-4.4	496.228	-3.5	62.9
Ireland	(I£)	1.1507	+0.0025	496 - 518	1.1537	1.1487	1.1495	1.3	1.1465	1.5	1.121	2.6	95.3
Italy	(L)	2854.33	+6	257 - 608	2861.25	2849.31	2847.9	2.7	2834.19	2.8	2766.69	3.1	76.4
Luxembourg	(LFr)	59.6659	+0.1358	170 - 148	59.7870	59.5790	59.4584	4.2	59.053	4.1	57.5884	3.5	103.2
Netherlands	(Fl)	3.2632	+0.0078	617 - 646	3.2718	3.2567	3.2515	4.3	3.2288	4.2	3.1464	3.6	102.6
Norway	(NKr)	12.3597	+0.0316	526 - 668	12.4009	12.3208	12.3378	2.1	12.2962	2.1	12.1537	1.7	95.9
Portugal	(Es)	296.077	+0.683	882 - 272	296.691	295.655	295.259	3.3	293.584	3.4	286.355	3.3	92.4
Spain	(Pta)	245.562	+0.609	420 - 704	246.130	245.210	244.908	3.2	243.59	3.2	237.646	3.2	77.4
Sweden	(SKr)	13.0682	+0.0556	568 - 795	13.0930	13.0249	13.0309	3.4	12.9575	3.4	12.6739	3.0	84.1
Switzerland	(SFr)	2.4347	+0.0037	333 - 361	2.4398	2.4306	2.4224	6.1	2.3992	5.8	2.3101	5.1	105.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.9
Ecu	-	1.4683	+0.0033	675 - 691	1.4717	1.4665	1.464	3.5	1.4555	3.5	1.4197	3.3	-
SDR†	-	1.227404	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6316	-0.0009	312 - 320	1.6359	1.6313	-	-	-	-	-	-	-
Brazil	(R$)	1.9057	-0.0024	050 - 063	1.9117	1.9045	-	-	-	-	-	-	-
Canada	(C$)	2.4817	-0.0069	806 - 827	2.5007	2.4716	2.4784	2.6	2.4658	2.4	2.4339	1.9	78.1
Mexico	(New Peso)	14.7006	-0.026	913 - 099	14.7767	14.6662	14.8844	-15.0	15.2796	-15.8	17.1853	-16.9	-
USA	($)	1.6324	-0.0004	320 - 328	1.6362	1.6315	1.6297	2.0	1.6244	2.0	1.6048	1.7	114.5
Pacific/Middle East/Africa													
Australia	(A$)	2.7168	+0.0138	150 - 186	2.7232	2.6961	2.7109	2.6	2.7	2.5	2.6585	2.1	82.2
Hong Kong	(HK$)	12.6479	-0.0043	439 - 518	12.6792	12.6341	12.7178	-6.6	12.8048	-5.0	13.2614	-4.9	-
India	(Rs)	69.5403	+0.1606	906 - 899	69.6980	69.4120	-	-	-	-	-	-	-
Israel	(Shk)	6.0744	+0.0498	637 - 851	6.1450	6.0824	-	-	-	-	-	-	-
Japan	(Y)	238.020	+1.932	913 - 128	238.580	235.720	236.585	7.2	233.72	7.2	222.06	6.7	186.3
Malaysia	(M$)	6.8602	+0.0363	462 - 741	6.8846	6.7989	6.9692	-19.1	7.1513	-17.0	7.6888	-12.2	-
New Zealand	(NZ$)	3.1949	+0.0155	919 - 978	3.2147	3.1748	3.1925	0.9	3.189	0.7	3.1882	0.2	84.5
Philippines	(Peso)	70.9279	+1.128	840 - 717	71.2850	70.5557	71.3835	-7.7	72.3542	-8.0	77.8133	-9.4	-
Saudi Arabia	(SR)	6.1227	-0.0013	208 - 246	6.1365	6.1196	6.1163	1.2	6.1046	1.2	6.0636	1.0	-
Singapore	(S$)	2.8518	+0.0067	495 - 541	2.8772	2.7468	2.8502	0.7	2.8467	0.7	2.8281	0.8	-
South Africa	(R)	10.2597	+0.0709	408 - 785	10.3351	10.1529	10.3993	-16.3	10.6153	-13.9	11.443	-11.5	-
South Korea	(Won)	2165.38	-11.08	077 - 999	2204.83	2125.31	-	-	-	-	-	-	-
Taiwan	(T$)	56.4958	+0.1586	672 - 243	56.6125	56.3290	56.9709	-10.1	57.3854	-6.4	58.433	-3.4	-
Thailand	(Bt)	68.5606	+0.3526	624 - 592	68.8230	66.4540	68.4229	-15.1	70.9848	-14.1	76.6724	-11.0	-

† Rates for Aug 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.4727	+0.0318	701 - 752	12.4878	12.4450	12.4285	2.1	12.4087	2.1	12.0447	1.8	105.5
Belgium	(BFr)	36.5510	+0.091	300 - 720	36.5800	36.4500	36.4855	2.2	36.3645	2.2	35.871	1.9	102.2
Denmark	(DKr)	6.7592	+0.0224	567 - 617	6.7644	6.7428	6.7511	1.4	6.7136	1.5	6.6047	1.4	105.1
Finland	(FM)	5.3900	+0.0135	875 - 929	5.3972	5.3800	5.3804	2.1	5.3814	2.1	[illegible]	1.9	[illegible]
France	(FFr)	5.9420	+0.0155	410 - 430	5.9487	5.9329	5.9312	2.2	5.91	2.2	[illegible]	1.9	[illegible]
Germany	(DM)	1.7727	+0.0045	724 - 730	1.7754	1.7691	1.7694	2.2	1.763	2.2	1.7363	1.9	[illegible]
Greece	(Dr)	293.695	+0.31	580 - 810	294.880	292.440	295.29	-6.5	298.37	-6.4	308.195	-5.3	62.9
Ireland	(I£)	1.4186	-0.0034	178 - 196	1.4221	1.4170	1.4178	0.7	1.4168	0.5	1.4116	-0.5	-
Italy	(L)	1748.55	+4.05	790 - 920	1750.90	1745.50	1747.56	0.7	1744.9	0.9	1723.9	1.4	76.4
Luxembourg	(LFr)	36.5510	+0.091	300 - 720	36.5800	36.4900	36.4855	2.2	36.3645	2.2	35.871	1.9	102.2
Netherlands	(Fl)	1.9990	+0.0052	986 - 994	2.0022	1.9949	1.9952	2.3	1.9877	2.3	1.9606	1.9	102.5
Norway	(NKr)	7.5715	+0.021	690 - 740	7.5805	7.5479	7.5708	0.1	7.5669	0.1	7.5716	0.0	95.2
Portugal	(Es)	181.375	+0.445	300 - 450	181.470	181.150	181.179	1.3	180.738	1.4	178.425	1.6	92.8
Spain	(Pta)	150.430	+0.405	380 - 480	150.610	150.190	150.284	1.2	149.98	1.2	148.075	1.6	77.3
Sweden	(SKr)	8.0058	+0.0357	005 - 705	8.0150	7.9771	7.9951	1.4	7.977	1.4	7.887	1.4	86.4
Switzerland	(SFr)	1.4915	+0.0036	910 - 920	1.4940	1.4880	1.4865	4.1	1.477	3.9	1.4385	3.5	106.3
UK	(£)	1.6324	-0.0004	320 - 328	1.6362	1.6315	1.6297	2.0	1.6244	2.0	1.6048	1.7	103.5
Ecu	-	1.1118	-0.0026	114 - 121	1.1132	1.1104	1.1132	-1.5	1.116	-1.5	1.1303	-1.7	-
SDR†	-	0.75136	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-0.0003	995 - 995	0.9997	0.9993	-	-	-	-	-	-	-
Brazil	(R$)	1.1674	-0.0012	673 - 675	1.1684	1.1670	-	-	-	-	-	-	-
Canada	(C$)	1.5203	-0.0039	200 - 205	1.5350	1.5115	1.5196	0.6	1.5187	0.4	1.5168	0.2	78.6
Mexico	(New Peso)	9.0055	-0.014	000 - 090	9.0110	9.0010	9.1335	-17.1	9.4065	-17.8	10.708	-18.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	118.1
Pacific/Middle East/Africa													
Australia	(A$)	1.6643	+0.0088	636 - 650	1.6694	1.6515	1.6635	0.6	1.6630	0.3	1.6602	0.4	82.0
Hong Kong	(HK$)	7.7480	-0.001	475 - 485	7.7500	7.7470	7.804	-8.7	7.883	-7.6	8.263	-6.6	-
India	(Rs)	42.6000	+0.1075	800 - 200	42.6300	42.5100	43.03	-12.1	43.85	-11.7	47.065	-10.5	-
Israel	(Shk)	3.7212	+0.0314	155 - 268	3.7648	3.7141	-	-	-	-	-	-	-
Japan	(Y)	145.810	+1.215	780 - 840	145.880	144.400	145.17	5.3	143.885	5.3	138.375	5.1	108.6
Malaysia	(M$)	4.2025	+0.0225	850 - 100	4.2105	4.1650	4.2765	-21.1	4.4025	-19.0	4.7075	-14.2	-
New Zealand	(NZ$)	1.9571	+0.0060	558 - 585	1.9658	1.9444	1.9602	-1.9	1.9656	-1.7	1.9844	-1.4	-
Philippines	(Peso)	43.4500	+0.7	500 - 500	43.7000	43.2300	43.803	-9.7	44.543	-10.1	48.38	-11.3	-
Saudi Arabia	(SR)	3.7508	+0.0001	505 - 510	3.7515	3.7500	3.7532	-0.8	3.7582	-0.8	3.7763	-0.7	-
Singapore	(S$)	1.7470	+0.0057	460 - 480	1.7617	1.6810	1.749	-1.4	1.7525	-1.3	1.7626	-0.9	-
South Africa	(R)	6.2850	+0.0447	750 - 950	6.3300	6.2200	6.3813	-18.4	6.535	-15.9	7.13	-13.4	-
South Korea	(Won)	1326.50	-8.5	400 - 900	1351.00	1301.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.6090	+0.1045	000 - 180	34.6300	34.5500	34.959	-12.1	35.334	-8.4	36.409	-5.2	-
Thailand	(Bt)	42.0000	+0.225	500 - 500	42.2800	40.7500	42.6	-17.1	43.7	-16.2	47.4	-12.9	-

† SDR rate per $ for Aug 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 6: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Aug 7	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	5	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	4.98
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	4.87
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
week ago	[illegible]	[illegible]	[illegible]	4	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	2	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
$ LIBOR BBA London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.40	5.41	5.45	5.50	-	-	-
week ago	-	5.36	5.40	5.46	5.54	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	4.00	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	4.00	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

POUND IN NEW YORK

Aug 7	--Close--	--Prev. close--
£ spot	1.6295	1.6345
1 mth	1.6258	1.6317
3 mth	1.6215	1.6265
1 yr	1.6018	1.6067

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

EURO CURRENCY INTEREST RATES

Aug 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	2 - [illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	1 - [illegible]	4 - [illegible]	5 - [illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.33	94.33	-	94.34	94.33	30,557	451,538
Dec	94.32	94.35	+0.04	94.36	94.31	40,654	394,206
Mar	94.39	94.44	+0.06	94.44	94.38	46,947	346,304

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.05	95.06	+0.02	95.06	95.05	336	4,464
Dec	95.15	95.12	+0.03	95.15	95.10	8	245
Mar	-	95.14	+0.07	-	-	1	12

All Open interest figs. are for previous day

OTHER CURRENCIES

Aug 7	£	$
Czech Rp	50.4304 - 50.5041	30.9010 - 30.9310
Hungary	353.752 - 354.252	216.760 - 216.980
Iran	4896.40 - 4898.00	3000.00 - 3000.00
Kuwait	0.5007 - 0.5018	0.3068 - 0.3073
Peru	4.8209 - 4.8282	2.9540 - 2.9570
Poland	5.6141 - 5.6217	3.4400 - 3.4430
Russia	10.2630 - 10.2687	6.2880 - 6.2890
U.A.E.	5.9938 - 5.9976	3.6727 - 3.6732

BANK RETURN

The Bank Return table can be found on page 26 in today's edition.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.49	16.26	4.850	1.929	4784	5.469	20.71	496.2	411.6	21.90	4.081	1.676	4.159	2.736	398.9	2.461
Denmark	(DKr)	54.08	10	8.791	2.623	1.043	2587	2.957	11.20	268.3	222.6	11.84	2.207	0.906	2.249	1.479	215.7	1.331
France	(FFr)	61.51	11.38	10	2.983	1.186	2943	3.364	12.74	305.2	253.2	13.47	2.510	1.031	2.559	1.683	245.4	1.514
Germany	(DM)	20.62	3.813	3.352	1	0.398	986.4	1.128	4.271	102.3	84.86	4.516	0.841	0.346	0.858	0.564	82.25	0.507
Ireland	(I£)	51.85	9.589	8.429	2.515	1	2480	2.836	10.74	257.3	213.4	11.36	2.118	0.869	2.157	1.419	206.8	1.276
Italy	(L)	2.090	0.387	0.340	0.101	0.040	100	0.114	0.433	10.37	8.603	0.458	0.085	0.035	0.087	0.057	8.339	0.051
Netherlands	(Fl)	18.28	3.381	2.972	0.887	0.353	874.7	1	3.788	90.73	75.25	4.005	0.746	0.306	0.761	0.500	72.94	0.450
Norway	(NKr)	48.27	8.927	7.848	2.341	0.931	2309	2.640	10	239.5	198.7	10.57	1.970	0.809	2.008	1.321	192.6	1.188
Portugal	(Es)	20.15	3.727	3.276	0.977	0.389	964.1	1.102	4.175	100	82.94	4.414	0.822	0.338	0.838	0.551	80.39	0.496
Spain	(Pta)	24.30	4.493	3.950	1.178	0.469	1162	1.329	5.033	120.6	100	5.322	0.992	0.407	1.011	0.665	96.93	0.598
Sweden	(SKr)	45.66	8.443	7.422	2.214	0.881	2184	2.497	9.458	226.6	187.9	10	1.863	0.765	1.899	1.249	182.1	1.124
Switzerland	(SFr)	24.51	4.532	3.984	1.189	0.473	1172	1.340	5.076	121.6	100.9	5.367	1	0.411	1.019	0.670	97.76	0.603
UK	(£)	59.67	11.03	9.700	2.894	1.151	2854	3.263	12.36	296.1	245.6	13.07	2.435	1	2.482	1.632	238.0	1.468
Canada	(C$)	24.04	4.446	3.908	1.166	0.464	1150	1.315	4.980	119.3	98.95	5.266	0.981	0.403	1	0.658	95.91	0.592
USA	($)	36.55	6.759	5.942	1.773	0.705	1749	1.999	7.572	181.4	150.4	8.006	1.492	0.613	1.520	1	145.8	0.899
Japan	(Y)	25.07	4.636	4.075	1.216	0.483	1199	1.371	5.193	124.4	103.2	5.490	1.023	0.420	1.043	0.686	100	0.617
Ecu	-	40.64	7.515	6.606	1.971	0.784	1944	2.222	8.418	201.7	167.2	8.901	1.658	0.681	1.690	1.112	162.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.5653	0.5631	-0.0020	0.5664	0.5623	25,852	100,949
Dec	0.5685	0.5660	-0.0020	0.5686	0.5655	57	797
Mar	-	0.5685	-0.0020	-	-	62	70

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.6721	0.6711	-0.0010	0.6743	0.6694	12,982	63,775
Dec	0.6800	0.6772	-0.0010	0.6802	0.6776	28	527
Mar	-	0.6831	-0.0010	0.6878	0.6847	5	16

JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.6965	0.6873	-0.0089	0.6989	0.6865	17,989	136,904
Dec	0.7033	0.6963	-0.0090	0.7033	0.6958	111	3,258
Mar	-	0.7053	-0.0091	0.7163	0.7162	1	1,918

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.6302	1.6268	-0.0038	1.6340	1.6240	4,685	38,837
Dec	1.6250	1.6192	-0.0038	1.6250	1.6190	8	841
Mar	-	1.6120	-0.0038	1.6190	-	3	3

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.630	0.53	1.27	1.75	0.48	1.33	2.23
1.640	0.17	0.86	1.34	1.13	2.06	2.78
1.650	0.06	0.55	0.99	1.97	2.70	3.44

Previous day's vol., Calls 13 Puts 23. Prev. day's open int., Calls 1,218 Puts 18,875

PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
0.560	0.38	0.71	1.00	0.15	0.41	0.59
0.565	0.13	0.45	0.73	0.41	0.65	0.83
0.570	0.05	0.28	0.53	0.79	0.97	1.13

Previous day's vol., Calls - Puts - . Prev. day's open int., Calls 3,827 Puts 10,427.

BENCHMARK GOVERNMENT BONDS

Aug 7	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.0041	5.18	+0.13	+0.04	+0.03	+0.07
	08/08	8.750	123.7981	5.68	+0.12	+0.08	+0.16	-0.91
Austria	07/00	5.875	103.3800	4.02	-0.03	-0.07	+0.13	-0.09
	01/08	5.000	102.0700	4.72	-0.03	-0.07	-0.09	-1.02
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing, *New York mid-day. Yields: Local market standard. [illegible]

UK INTEREST RATES

LONDON MONEY RATES

Aug 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible] - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	[illegible] -	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Aug 7, 7.1989pc. ECGD fixed rate Stg. Export Finance. Make up day Jul 31, 1998. Agreed rate for period Aug 26, 1998 to Sep 22, 1998, Scheme III 8.08pc. Reference rate for period Jul 1, 1998 to Jul 31, 1998, Schemes IV & V 7.611pc. Finance House Base Rate 8pc from Aug 1, 1998.

BANK OF ENGLAND TREASURY BILL TENDER

	Aug 7	Jul 31		Aug 7	Jul 31
Bills on offer	£100m	£100m	Top accepted rate	7.1997%	7.3200%
Total of applications	£642m	£498m	Ave. rate of discount	7.1989%	7.2971%
Total allocated	£100m	£100m	Average yield	7.3284%	7.4322%
Min. accepted bid	£98.205	£98.175	Offer at next tender	£100m	£100m
Allotment at min. level	93%	56%	Min. accept. bid 28 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	•Smith & Williamson	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	Sun Bank	7.50
•Henry Ansbacher	7.50	•Robert Fleming & Co	7.50	TSB	7.50
Banco Bilbao Vizcaya	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Cyprus	7.50	•Hambros Bank	7.50	Unity Trust Bank Plc	7.50
Bank of Ireland	7.25	Heritable & Gen Inv Bk	7.50	Whiteaway Laidlaw	7.50
Bank of India	7.50	C. Hoare & Co	7.50	Yorkshire Bank	7.50
Bank of Scotland	7.50	Hongkong & Shanghai	7.50		
Barclays Bank	7.50	Investec Bank (UK) Ltd	7.50	• Members of London Investment Banking Association	
Brit Bk of Mid East	7.50	Julian Hodge Bank	7.50		
•Brown Shipley & Co Ltd	7.50	•Leopold Joseph & Sons	7.50		
Citibank NA	7.50	Lloyds Bank	7.50		
Clydesdale Bank	7.50	Midland Bank	7.50		
The Co-operative Bank	7.50	NatWestminster	7.50		
Coutts & Co	7.50	•Rea Brothers	7.50		
Cyprus Popular Bank	7.50	Royal Bk of Scotland	7.50		
Duncan Lawrie	7.50	Scottish Widows Bank	7.50		
		•Singer & Friedlander	7.50		

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas 15½pc '98		101	-2	935	Mr30 Se30	23.3	1308
Exch 12pc 1998		101[illegible]	-1	3,909	My20 Nv20	11.5	1259
Treas 9½pc 1999		100[illegible]	—	1,900	Jy15 Ja15	8.7	1347
Treas Flg Rate 1999		100[illegible]	—	5,700	[illegible]	6.6	4045
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Funding 3½pc 1999-4		93[illegible]	0.8	548	[illegible]	[illegible]	[illegible]
Conv 9½pc 2004		118[illegible]	0.7	3,412	[illegible]	[illegible]	[illegible]
Treas 6¾pc 2004		104[illegible]	0.7	6,500	[illegible]	[illegible]	[illegible]
Conv 9½pc 2005		118[illegible]	0.6	4,842	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

	Notes	Price £	Wk % +/-	Amt £m	Interest due	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO PRICES

EQUITIES

Europe prays for peace and quiet

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

European stock markets will start the week hoping not to be disrupted again by Asia or Wall Street, which have combined to halt the continent's record-breaking run.

Those traders who may have hoped for a quiet August, while many investors were on holiday, have been disappointed. Despite the widespread belief that European markets are solidly based – with inflation subdued, interest rates and bond yields low, and GDP and corporate earnings set to grow – bourses could not escape the impact of the sharp decline in the Dow.

The main economic news this week concerns inflation. In Germany, consumer price figures are expected to show a 0.2 per cent monthly rise in July. But with the annual rate still at only 0.9 per cent, there is little evidence of inflationary pressure either there, or in France, where the annual rate in July is expected to have been 1 per cent. Spanish price data, released on Thursday, is expected to show a 2 per cent rise.

European markets rebounded on Friday, helped by some early strength in New York, but that still left them down on the week. Frankfurt lost 4.5 per cent over the period and Paris 3.3 per cent.

On Friday, the FTSE Eurotop 100 index gained 45.69 points, or 1.7 per cent, to 2,792.67 while the broader Eurotop 300 index advanced 18.8 to 1,217.49. The FTSE Ebloc 100 index, comprising stocks in countries planning to be part of the single currency area, rose 15.15 to 1,025.84.

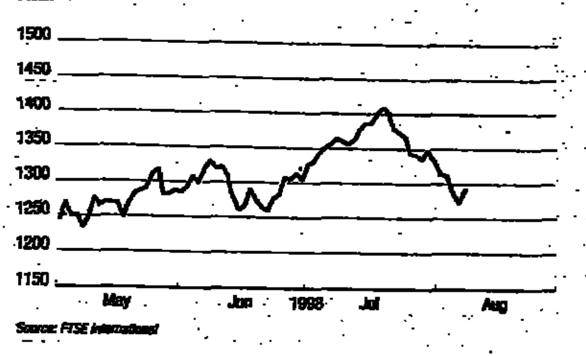
The strongest sector of the day was healthcare where the volatile Nycomed Amersham gained Ecu 0.40 to Ecu 5.97.

Oil stocks rebounded from Thursday's losses. Shell, which had produced disappointing results, moved up Ecu 0.30 to Ecu 5.53; Petrofina rose Ecu 20.20 to Ecu 359.06.

Among the leisure stocks, good news on occupancy rates sent the hotels group Accor up Ecu 13.70 to Ecu 242.54. The sector as a whole gained 1.9 per cent.

The food production sector underperformed, gaining only 0.2 per cent, with Unilever falling Ecu 1.30 to Ecu 60.16 after some poorly received results.

FTSE Eurotop 300 Eurobloc Index



Source: FTSE International

THREE MONTH EURO FUTURES (LIFFE)

[illegible]

THREE MONTH EURO OPTIONS (LIFFE)

[illegible]

FTSE EUROTOP 100 INDEX FUTURES (LIFFE)

[illegible]

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX)

[illegible]

OTHER INDICES

[illegible]

FTSE Actuaries Share Indices — European series

August 07

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1217.49	+1.57	+18.80	2.36	19.08	1247.29
FTSE Eurotop 100	2792.67	+1.66	+45.69	2.38	27.43	996.08
FTSE Ebloc 100	1025.84	+1.50	+15.15	2.06	12.61	1038.49

FTSE Eurotop 300 Regions / FTSE Eurotop Industry Sectors

[illegible]

FTSE EUROTOP 300

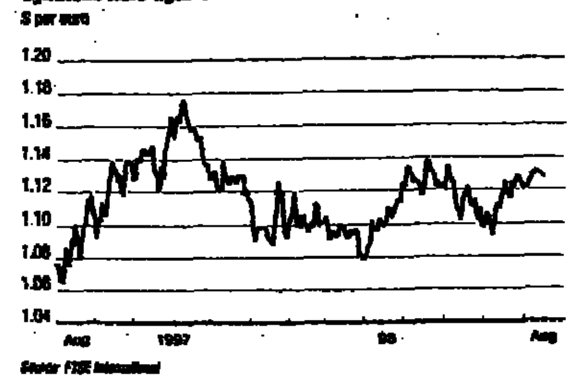
[illegible]

CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

[illegible]

Synthetic Euro against the dollar



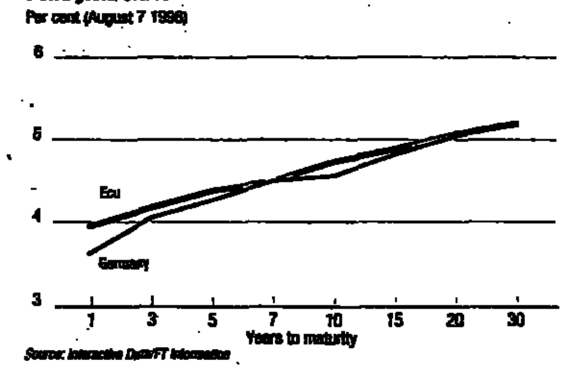
Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

[illegible]

BONDS

Bond yield curve



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

[illegible]

GOVERNMENT BOND SPREADS vs ECU

Aug 07	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
Spain	−0.02	+0.05	+0.12	+0.13	+0.19	+0.29
"OUTs"						
Denmark	+0.27	+0.21	+0.28	+0.16	+0.10	+0.26
Greece	+6.08	+4.00	+3.25	+2.58	+2.10	+2.04
Sweden	+0.30	+0.28	+0.29	+0.17	+0.16	−0.01
UK	+2.60	+1.61	+1.36	+0.88	+0.51	+0.14

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

[illegible]

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
Allied Domecq	†N	[illegible]	4.6	Q24.73	1.7	6,123	11.5	1950
Bulmer (HP)		383	0.6	15.0	1.5	[illegible]	12.1	[illegible]
Burn Stewart	‡	11	4.8	1.7	–	6.55	27.10	1518
Diageo		710	-2.5	18.0	1.3	[illegible]	30.3	[illegible]
Glenmorangie A		[illegible]	0.6	14.2	3.0	117.0	13.7	3257
B		997½	–	7.1	3.0	37.5	13.7	3258
Highland	‡	250	-1.6	9.0	2.4	334.9	5.5	[illegible]
5¾pc Cv Sb Bd		[illegible]	[illegible]	[illegible]	–	40.5	5.1	[illegible]
Kirin Y		[illegible]	-2.5	Q28%	–	[illegible]	25.12	1179
Matthew Clark	‡q	[illegible]	6.1	13.0	2.0	102.8	3.8	2153
Merrydown		42½	-2.3	–	–	11.3	7.97	3382
Seagram C$		[illegible]	-11.8	Q66c	–	7,857	28.5	–

BANKS, RETAIL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
ABN Amro Fl		[illegible]	-5.8	Q84%	2.2	[illegible]	7.5	1010
ANZ A$		[illegible]	-6.5	Q48c	[illegible]	5,520	12.96	–
Abbey National	†	1182	4.3	32.25	2.1	[illegible]	9.9	5411
Alliance & Leicester	‡†	[illegible]	-1.6	22.6	2.4	[illegible]	14.4	5690
Allied Irish E	‡†	[illegible]	7.3	[illegible]	2.4	[illegible]	2.3	[illegible]
Anglo Irish E	‡†	[illegible]	1.5	Q20%	2.4	427.1	18.5	[illegible]
Asahi Y		[illegible]	-3.3	Q12%	–	4,702	26.3	3049
Banco Bilbao Viz Pta	‡	[illegible]	-2.6	[illegible]	2.0	7,577	13.7	–
Banco Santander Pta	†	[illegible]	-3.9	[illegible]	1.9	[illegible]	6.4	–
Bank Ireland E	‡	1217½	-1.8	[illegible]	3.0	6,292	24.11	1760
Bank Scotland	‡	[illegible]	-2.4	9.86	3.8	[illegible]	5.5	1742

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Continued

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

HOUSEHOLD GOODS & TEXT - Continued

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Continued

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Continued

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

FT Share Service

[illegible]

FT Free Annual Reports Club

[illegible]

FT Company Focus / Focus Plus

[illegible]

FT Cityline

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

BT Fund Managers (Ireland) Ltd (u)

Lazard Investment Funds Ltd - Contd.

Baring Mutual (Ireland) Ltd

INVESTORS Fund Services (Ireland) Ltd

Yamaichi Samsung Dynamic Korea Fund

Bank of Ireland Asset Mngmt (Jersey) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

Swiss Life Investment Fund – Proteus (u)

Foreign & Colonial Emerging Markets Ltd

Formosa High Tech Fund

Framlington Investment Mgmt (Ireland) Ltd

Tilney (Ireland) Ltd
20/22 Lower Hatch Street, Dublin 2 00 3531 7905073
US Mid Cap F 5 $14.32 – 46210

Frank Russell Investments (Ireland) Ltd

IRELAND (REGULATED)(**)

IRELAND (FSA RECOGNISED)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

هكذا الاصل

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Bank Von Ernst & Cie AG

GT Global

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Daiwa Japan Small Equity Fd (a)

Dicam Worldwide Investment Fund

The Dragon Fund Sicav

Dresdner RCM European Bond Fund

Egypt Trust

Merrill Lynch Asset Management - Contd.

Unicapital Investments

Unico Financial Services SA Lux

Hansard Europe Limited

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OTHER OFFSHORE FUNDS

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 7 / Sch)

BELGIUM/LUXEMBOURG (Aug 7 / Frs.)

CZECH REP (Aug 7 / Korona)

DENMARK (Aug 7 / Kr)

FINLAND (Aug 7 / Mkk)

FRANCE (Aug 7 / Frs.)

GERMANY (Aug 7 / Dm.)

GREECE (Aug 7 / Drachma)

ITALY (Aug 7 / Lira)

NORWAY (Aug 7 / Kroner)

POLAND (Aug 7 / Zloty)

PORTUGAL (Aug 7 / Escudo)

SPAIN (Aug 7 / Pta.)

NETHERLANDS (Aug 7 / Fls.)

SWEDEN (Aug 7 / Kronor)

SWITZERLAND (Aug 7 / Frs.)

TURKEY (Aug 7 / TL Lira)

PACIFIC

JAPAN (Aug 7 / Yen)

HONG KONG (Aug 7 / H.K.$)

INDONESIA (Aug 7 / Rupiah)

MALAYSIA (Aug 7 / MYR)

NEW ZEALAND (Aug 7 / NZ $)

SINGAPORE (Aug 7 / S$)

AUSTRALIA (Aug 7 / Aust$)

SOUTH KOREA (Aug 7 / Won)

TAIWAN (Aug 7 / TW $)

THAILAND (Aug 7 / Baht)

AMERICAS

CANADA

TORONTO (Aug 7 / Cdn $)

4 pm close

MONTREAL (Aug 7 / Cdn $)

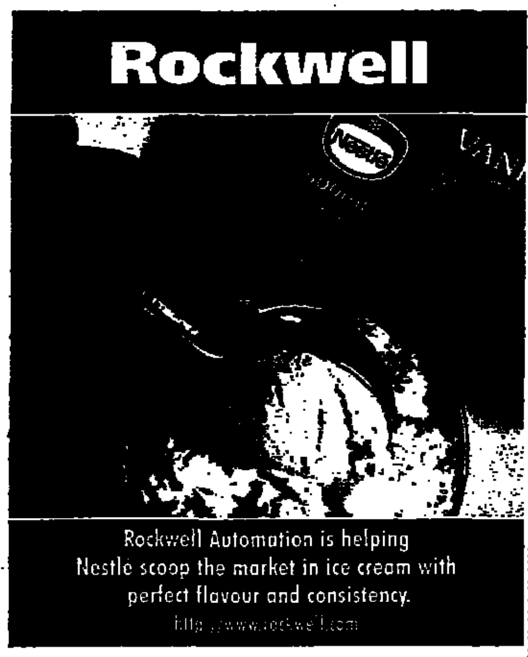
4 pm close

MEXICO (Aug 7 / Peso)

12:30 pm

AFRICA

SOUTH AFRICA (Aug 7 / Rand)



FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY AUGUST 7 1998 US Dollar Index	% chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	THURSDAY AUGUST 6 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	180.52	–0.8	163.95	166.38	166.37	198.82	–2.2	3.73	181.88	165.16	168.24	167.20	200.27	238.24	173.27	235.72
Austria (22)	226.19	19.6	205.43	208.48	208.46	208.32	18.0	1.62	225.55	204.82	206.15	207.34	207.20	253.73	181.60	200.95
Belgium (22)	390.36	53.4	354.55	359.80	359.77	351.88	51.3	1.95	385.00	349.61	351.89	353.91	348.17	398.52	234.33	241.18
Brazil (26)	199.82	–16.2	181.49	184.17	184.16	428.39	–12.3	2.69	207.53	188.46	189.69	190.78	446.41	308.59	184.94	293.34
Canada (119)	204.26	–3.8	185.51	188.26	188.24	224.86	2.2	1.81	204.83	186.00	187.21	188.29	226.07	248.78	199.10	223.89
Denmark (34)	487.52	9.0	442.78	449.33	449.30	448.18	7.6	1.44	482.22	437.90	440.75	443.29	441.84	537.33	375.32	384.53
Finland (29)	469.85	68.7	426.73	433.06	433.02	581.46	67.0	1.73	456.16	414.23	416.93	419.33	514.70	506.46	267.59	311.86
France (78)	317.81	32.8	288.64	292.92	292.89	296.22	31.2	2.12	313.10	284.32	286.18	287.82	291.08	345.18	217.48	228.57
Germany (96)	293.98	28.1	267.00	270.96	270.93	270.93	26.3	1.18	290.99	264.24	265.96	267.49	267.49	325.61	204.89	232.84
Greece (37)	323.87	0.0	294.15	298.51	298.49	881.86	0.0	1.38	323.29	293.57	295.49	297.19	879.92	333.20	260.24	–
Hong Kong, China (66)	207.81	–41.8	188.74	191.53	191.52	206.71	–41.8	7.50	213.38	193.77	195.03	196.15	212.28	580.03	207.81	580.03
Indonesia (27)	30.55	–53.8	27.74	28.15	28.15	228.92	7.3	2.84	31.51	28.61	28.80	28.96	248.44	212.79	23.58	212.79
Ireland (16)	520.24	29.6	472.50	479.50	479.45	516.72	30.2	1.83	511.96	464.89	467.92	470.61	507.26	560.44	359.80	370.74
Italy (54)	169.08	43.7	153.56	155.84	155.82	220.80	42.1	1.33	167.34	151.96	152.95	153.83	218.01	184.49	97.34	99.54
Japan (480)	87.17	–8.5	79.17	80.34	80.34	80.34	2.6	0.98	88.05	79.96	80.48	80.94	80.48	134.46	83.04	130.88
Malaysia (106)	92.79	–43.6	84.28	85.53	85.52	150.19	–39.1	4.18	96.60	87.72	88.29	88.80	155.51	427.82	92.79	427.82
Mexico (29)	1228.94	–31.9	1114.34	1130.84	1130.75	12080.59	–24.0	2.25	1260.39	1144.54	1152.00	1158.63	12429.32	1901.98	1228.94	1861.24
Netherlands (27)	501.17	22.3	455.19	461.92	461.88	457.25	20.6	1.95	492.89	447.58	450.50	453.09	449.53	582.38	385.56	431.66
New Zealand (14)	60.33	–21.0	54.79	55.61	55.60	62.70	–10.3	4.85	59.91	54.40	54.76	55.07	61.94	95.87	58.33	90.20
Norway (38)	286.93	–10.2	260.60	264.46	264.44	294.88	–7.7	2.12	284.36	258.22	259.91	261.40	291.43	374.84	281.82	328.90
Philippines (22)	58.49	–26.3	53.12	53.91	53.90	126.65	–19.7	1.36	60.86	55.27	55.63	55.95	129.68	150.67	57.54	150.67
Portugal (18)	275.39	0.0	250.12	253.82	253.80	341.88	0.0	0.95	269.44	244.67	246.27	247.69	333.68	299.39	261.25	–
Singapore (42)	136.47	–38.4	123.94	125.78	125.77	109.86	–37.2	2.74	140.56	127.64	128.47	129.21	112.79	360.63	133.81	360.63
South Africa (40)	195.23	–26.4	177.32	179.94	179.93	288.19	–5.0	3.32	200.05	181.66	182.84	183.90	272.85	358.06	195.23	359.06
Spain (31)	393.27	44.7	357.18	362.47	362.44	448.18	42.8	1.70	390.06	354.21	356.52	358.57	443.33	417.73	236.28	245.25
Sweden (46)	558.49	18.5	505.42	512.91	512.86	659.51	19.6	1.77	551.79	501.07	504.34	507.24	651.03	628.19	439.96	511.68
Switzerland (28)	421.07	23.6	382.43	388.09	388.05	389.35	26.3	1.07	416.05	377.81	380.27	382.48	384.04	439.48	285.85	312.49
Thailand (37)	10.89	–43.8	9.89	10.03	10.03	17.75	–50.8	5.31	11.32	10.28	10.34	10.40	18.35	60.27	10.89	60.27
United Kingdom (210)	361.75	9.0	328.55	333.41	333.38	328.55	9.9	3.02	356.72	323.93	326.04	327.92	323.93	401.84	303.41	315.74
USA (627)	446.29	12.6	405.33	411.34	411.30	446.29	12.6	1.46	445.82	404.84	407.48	409.83	445.82	495.89	358.31	386.08
Americas (801)	400.13	11.1	363.41	368.79	368.76	339.81	11.5	1.48	399.97	363.27	365.58	367.68	338.92	437.08	326.79	353.21
Europe (749)	354.05	22.5	321.58	326.32	326.30	334.72	22.2	2.03	349.50	317.37	319.44	321.28	329.82	386.24	265.25	276.86
Eurobloc (352)	103.77	0.0	94.25	95.64	95.63	108.41	0.0	1.95	102.42	93.00	93.61	94.15	101.81	113.28	99.54	–
Nordic (149)	499.78	21.2	453.90	460.62	460.58	512.72	21.6	1.74	493.28	447.94	450.86	453.45	504.16	555.97	388.51	432.30
Pacific Basin (867)	91.58	–13.5	83.17	84.40	84.40	94.29	–4.3	1.78	92.84	84.12	84.67	85.16	94.64	152.78	88.45	150.04
Euro-Pacific (1615)	201.00	10.3	182.55	185.26	185.24	170.78	13.1	1.86	199.69	181.33	182.52	183.57	177.01	220.19	172.03	203.82
North America (746)	430.27	11.9	390.78	396.57	396.54	431.21	12.1	1.47	429.88	390.37	392.91	395.18	430.87	469.20	349.06	376.04
Europe Ex. UK (539)	337.21	29.9	306.27	310.80	310.78	327.13	29.1	1.57	333.03	302.42	304.39	306.14	322.26	368.32	238.79	252.39
Europe Ex. Eurobloc (396)	95.34	0.0	88.59	87.87	87.87	96.93	0.0	2.43	94.13	85.48	86.03	86.53	95.60	109.93	94.13	–
Europe Ex. UK Ex. Eurobloc (186)	102.05	0.0	92.68	94.06	94.05	103.03	0.0	1.32	100.96	91.69	92.29	92.82	101.69	109.21	95.88	–
Pacific Ex. Japan (387)	140.47	–29.9	127.58	129.47	129.46	148.95	–26.3	5.01	142.99	129.85	130.69	131.44	151.11	313.74	140.47	313.74
World Ex. Eurobloc (2104)	94.28	0.0	85.61	86.88	86.87	96.09	0.0	1.72	94.17	85.52	86.07	86.57	95.88	103.16	93.25	–
World Ex. US (1829)	201.42	8.1	182.93	185.64	185.63	183.67	11.5	1.97	200.37	181.96	183.14	184.20	182.16	221.91	175.30	208.33
World Ex. UK (2246)	272.63	10.6	247.61	251.28	251.26	252.55	12.3	1.55	272.15	247.13	248.75	250.18	251.70	298.02	234.24	260.26
World Ex. Japan (1976)	376.45	13.0	341.90	346.97	346.94	371.61	13.5	1.78	374.78	340.33	342.55	344.52	369.71	411.23	308.33	333.42
The World Index (2456)	280.24	10.4	254.52	258.29	258.27	259.51	12.0	1.71	278.39	252.71	255.38	256.83	258.35	306.56	241.30	265.06

 CONSTITUENT CHANGES DURING THE WEEK ENDING 7/8/98: Deletion. Hanuman "A" (UK) and International Broadcasting (Thailand)

Emerging markets: IFC investable indices

Dollar terms

Aug 6 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	911.18	–0.3	–18.3
Brazil	411.90	–1.7	–14.7
Chile	513.78	–0.1	–20.0
Colombia[1]	517.63	+0.1	–37.3
Mexico	548.11	–1.6	–30.5
Peru[2]	188.57	–1.0	–14.8
Venezuela[3]	426.67	–0.3	–53.4
East Asia			
China[4]	25.88	–3.9	–53.6
Korea[5]	26.27	–6.3	+9.3
Philippines	84.36	–4.6	–25.2
Taiwan, China[6]	119.10	–0.7	–15.6
South Asia			
India[7]	65.93	–0.9	–20.9
Indonesia[8]	15.47	–1.7	–54.0
Malaysia	53.37	–3.3	–41.4
Pakistan[9]	93.99	+1.6	–62.2
Sri Lanka[10]	84.59		–27.3
Thailand	38.23	–2.8	–18.7
Europe/Mideast/Africa			
Czech Rep	55.67	–1.4	+1.7
Egypt	73.12	–1.4	–21.6
Greece	576.74	+0.8	+78.0
Hungary[11]	325.80	–0.4	+3.5
Israel	120.43	+0.4	–1.1
Jordan	231.34	+0.1	+10.0
Morocco	170.48	+0.7	+30.9
Poland[12]	706.28	+0.8	+18.4
Portugal	301.43	–1.0	+42.8
Russia	51.91	–4.1	–65.1
S Africa[13]	143.28	–3.2	–20.3
Slovakia	64.58	+1.8	–34.9
Turkey[14]	242.52	–1.9	–22.3
Zimbabwe[15]	178.40	–4.7	–29.1
Regions			
Composite	198.56	–1.6	–19.3
Latin America	520.68	–1.2	–23.1
Asia	79.71	–2.7	–26.0
EMEA	133.24	–1.5	–9.8
Europe	178.63	–0.9	–5.2
Easten Europe	85.86	–1.5	–38.8
ME & Africa	61.21	–2.1	–14.4

Base date Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16)July 2 1993.

Latest indices were unavailable for this edition.

4 pm close August 7

NEW YORK STOCK EXCHANGE PRICES

[illegible]

- X - Y - Z -

1998 High	Low	Stock	Div.	Yld. %	P/E	Vol. 100s	High	Low	Close	Chng
[illegible]	[illegible]	Xerox	1.44	1.4		10549	[illegible]	101½	102¼	+1[illegible]
[illegible]	43½	Xtra Corp	0.80	1.4	20	303	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	22½	Yankee Egy	1.38	5.7	19	308	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	34½	York Int	0.48	1.1	36	1173	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Zapata x	0.28	1.6	5	[illegible]	[illegible]	[illegible]	18	+1
[illegible]	24½	Zenith Nat x	1.00	3.8	16	78	[illegible]	[illegible]	[illegible]	
[illegible]	7[illegible]	Zenix Inc	0.73	9.8		218	[illegible]	[illegible]	[illegible]	[illegible]
33¼	25	Zero	0.12	0.4	18	30	[illegible]	28	28	
14[illegible]	11½	Zweig Fd	1.24	10.4		434	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	8½	Zweig Tot	0.84	9.8		400	[illegible]	[illegible]	[illegible]	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
♦ Dealings suspended.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Aug 7	Aug 6	Aug 5	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8598.02	8577.68	8546.78	9337.97 (17/7)	7580.42 (9/1)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	105.19	105.23	105.17	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3100.77	3086.10	3095.58	3686.02 (16/4)	3007.28 (4/8)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	277.06	273.59	273.92	286.48 (8/7)	262.66 (9/1)	286.48 (8/7/98)	10.50 (8/7/32)

DJ Ind. Day's high 8745.03 (8671.14) Low 8450.40 (8415.32) (Theoretical)
Day's high 8710.02 (8593.38) Low 8552.56 (8486.02) (actual)

Standard and Poors	Aug 7	Aug 6	Aug 5	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1089.45	1089.63	1081.43	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials¶	1277.85	1276.51	1265.58	1388.48 (17/7)	1077.40 (9/1)	1388.48 (17/7/98)	3.52 (30/6/32)
Financial¶	129.40	130.37	128.72	147.89 (14/7)	110.65 (9/1)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	549.50	547.80	544.81	600.75 (17/7)	487.47 (9/1)	600.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	684.07	676.95	672.07	783.67 (22/4)	646.41 (12/1)	783.67 (22/4/98)	524.20 (18/7/96)
NASDAQ Comp	1846.77	1829.51	1788.20	2014.25 (20/7)	1503.22 (9/1)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	415.80	406.61	398.69	491.41 (21/4)	398.88 (5/8)	491.41 (21/4/98)	123.36 (7/12/88)

US DATA

MARKET ACTIVITY

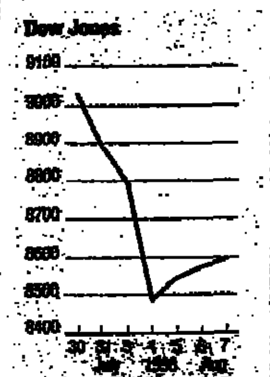
Volume (million)	Aug 7	Aug 6	Aug 5
NYSE	780.043	788.460	859.210
Amex	31.081	32.744	45.651
NASDAQ	813.380	786.382	910.410

NYSE	Aug 7	Aug 6	Aug 5
Issues Traded	3,594	3,469	3,596
Rises	1,980	1,482	1,258
Falls	979	1,395	1,820
Unchanged	645	592	489
New Highs	32	17	10
New Lows	132	308	592

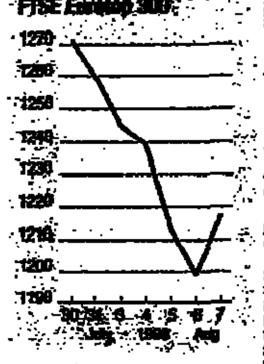
NYSE TRADING ACTIVITY

Volume : 780,043,800

Dow Jones



FTSE Eurotop 300



JAPAN

	Aug 7	Aug 6	Aug 5	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	15923.17	15876.2	15982.16	17264.34	14664.44	38915.9	85.25

Day's high: 16037.28. Day's low: 15797.30.

TOKYO TRADING ACTIVITY Volume : 370,000,000

FRANCE

	Aug 7	Aug 6	Aug 5	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	4041.88	3958.59	3976.40	4388.48	2882.54	4388.48	984.61

Day's high: 4041.88 Day's low: 3959.87.

PARIS TRADING ACTIVITY

GERMANY

	Aug 7	Aug 6	Aug 5	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5581.22	5517.64	5532.51	6171.43	4087.29	6171.43	931.18

Day's high: 5590.08. Day's low: 5537.82

FRANKFURT TRADING ACTIVITY Volume . 14,661,736

UK

	Aug 7	Aug 6	Aug 5	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5800.4	5594.1	5632.5	6179.00	5086.60	6179	986.9

Day's high 5682.4 Day's low 5584.4

LONDON TRADING ACTIVITY

INDEX FUTURES

WORLD MARKETS AT A GLANCE

THE NASDAQ STOCK MARKET

4 pm close August 7

THE NASDAQ STOCK MARKET

AMEX PRICES

4 pm close August 7

EASDAQ

FT GUIDE TO THE WEEK

MONDAY 10

Goldman decides

Goldman Sachs partners are expected to vote today at a monthly partners' meeting on whether to sell between 10 and 15 per cent of the US investment banking partnership in an initial public offering. With partners from around the world participating through video-conferencing, the vote will formalise a decision made in June to go ahead with taking the 130-year old partnership public. The proposals being put to partners contain details of the how the proceeds would be divided between current partners and employees.

Kohl campaigns

Germany's Chancellor Helmut Kohl holds talks with political allies after returning from his summer holiday on Friday as preparations begin for the country's general election on September 27. Mr Kohl interrupted his break for three seaside election trails in attempt to boost support; a rolling programme unveiling his Christian Democratic/Christian Social Union's election platform is already underway. With Mr Kohl back in Bonn, the cabinet gathers tomorrow while leaders of the opposition Social Democrats meet in Bonn today.

Breakaway vote

Residents of Nevis in the eastern Caribbean vote whether to leave the St Kitts-Nevis federation and become the world's smallest independent nation, with 10,000 people. Nevisians have long complained that their 37-square-mile island, an up-market tourist destination and haven for

offshore banks, is neglected by the government in St Kitts. Secession requires support by two thirds of the island's 6,000 registered voters.

Tennis

Cincinnati: Great American Insurance ATP Championship (to August 16). San Marino: San Marino International (to August 16). Los Angeles: Acura Classic women's tournament (to August 16).

Holidays

Singapore (Simex open), South Africa.

TUESDAY 11

Arafat in Cape Town

Palestinian president Yasser Arafat begins a visit to South Africa. He will address parliament on Wednesday.

The proposed sale of the rights to the Winnie the Pooh stories to Disney has raised a storm among members of a London Club, who vote on the deal on Thursday

Cricket

NatWest Trophy semi-finals. Tourist match, Canterbury or Old Trafford: Kent or Lancashire v Sri Lanka (one day). Second women's Test, Harrogate: England v Australia (to August 14).

Holidays

Jordan, Zimbabwe.

WEDNESDAY 12

UK inflation outlook

The Bank of England's official outlook for inflation is published in its quarterly *Inflation Report*. The report includes the monetary policy committee's forecast of the path of underlying inflation over the next two years. Since the committee left interest rates unchanged at its meeting last week, most analysts conclude that the report's forecast will see inflation at the government's target rate of 2.5 per cent in two years' time. But the latest set of UK labour market statistics, to be published at the same time, may upset the committee's forecast before the print is dry.

Statehood decision

Puerto Rico's legislature will hold a special session to debate whether the island should hold a non-binding plebiscite on its future relationship with the US. The plebiscite would ask voters whether the island should become a US state, break away as an independent nation or remain a US commonwealth. As a US commonwealth, the 3.8m Puerto Ricans are US citizens, but do not pay federal taxes, cannot vote in presidential elections and have no voting representatives in Congress.

CDU/CSU platform

German chancellor Helmut Kohl launches in Bonn the economic and social policy section of his Christian Democratic Union's election platform. The programme will be presented in conjunction with the Christian Social Union, the CDU's Bavarian sister party. The launch follows similar presentations in the previous two weeks on law and order policy and plans for east Germany.

Premier on trial

Former Turkish prime minister Necmettin Erbakan is due to testify to an Ankara court hearing charges that he incited hatred in a speech.

Soccer

Champions' League, 2nd qualifying round, 1st leg: Man Utd v Lodz (Pol) or Kapaz (Aze). Celtic or Patrick's Athletic v Croatia Zagreb (Cro). Dynamo Kiev v Sparta Prague (Cze), Kosice (Svk) or Cliftonville v Brondby (Den).

Holidays

Thailand, Zimbabwe.

THURSDAY 13

Pooh for sale

Members of the Garrick Club in London vote on the sale of rights to A.A.Milne's Winnie the Pooh stories to Disney for £200m. The club, one of four beneficiaries of any sale, is deeply split over whether the proceeds should be divided among members, who stand to gain around £40,000 each, or be spent partly on the club itself with the remainder going to charity.

Cendant's climb back

Cendant Corporation of the US will today attempt to bring a close to the accounting scandal which has harmed it for the last four months, by announcing restated accounts for 1997, 1996 and 1995 following an extensive forensic audit. Cendant, formed by last year's merger of HFS, the hotel and real estate franchiser, with CUC, a direct marketer, has seen its share price more than halved since it announced in April that it had found serious accounting irregularities at the former CUC. Walter Forbes, CUC's former chief executive, was forced to resign as chairman of Cendant last month. The company needs to convince regulators it has dealt with the accounting problems before it will be able to complete its acquisition of American Bankers Insurance of Miami, announced earlier this year.

Castro celebrates

President Fidel Castro of Cuba celebrates his 72nd birthday after a tour of the Caribbean region during which the veteran communist leader won encouragement from several heads of state in his crusade to end the US economic embargo on his country.

Soccer

Cup Winners' Cup, 2nd qualifying round, 1st leg: Cork City v CSKA Kiev (Ukraine), Bangor City v Haka (Finland), Lantona (Estonia) v Hearts, Glentoran v Maccabi Haifa (Israel).

Golf

Seattle, Washington: US PGA Championship (to August 16).

Holidays

Central African Republic, Tunisia.

FRIDAY 14

Cubas takes over

Raul Cubas takes office as president of Paraguay.

Cricket

Triangular tournament, Trent Bridge: South Africa v Sri Lanka. Britannic Assurance Championship (seven matches; to August 17). NatWest U19 International, Worcester: England U19 v Pakistan U19 (to August 17).

Holidays

Bangladesh, Pakistan, Morocco.

SATURDAY 15

Japan remembers

Some 7,000 relatives of people who died in the second world war will attend a memorial service in Tokyo to mark the 53rd anniversary of Japan's surrender in the conflict. Emperor Akihito will give a speech. Prime minister Keizo Obuchi and several members of his cabinet will also attend. Mr Obuchi will not visit Tokyo's Yasukuni shrine, a symbol of Japan's wartime militarism, though several members of his cabinet have indicated that they will.

Act of faith

The first official group of Iranian pilgrims in more than 18 years sets out for holy Shi'ite Moslem shrines in Iraq. Shi'ites regard the shrines in Karbala and Najaf in southern Iraq as second only to Islam's holiest sites, Mecca and Medina in Saudi Arabia. Iranians have been barred from the holy sites since the eight year Iran-Iraq war.

Rugby Union

South Africa face New Zealand in the Tri-Nations competition at Durban.

Holidays

Bangladesh, India, South Korea, Benin, Burkina Faso, Cameroon, Central African Republic, Cyprus, Gambia, Ivory Coast, Lebanon, Malta, Senegal, Togo, Austria, Croatia, France, Germany, Greece, Italy, Malta, Spain

SUNDAY 16

Scots stage festival

The annual Edinburgh International Festival of theatre and the arts opens and runs until September 5; the Edinburgh International Film Festival runs until August 30. A short animated

film "Wide Prairie", based on a song written and recorded by the late Linda McCartney, will be given its premiere.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Monday: Canadian housing starts are thought to have remained well down on a year ago last month. The Japanese current account surplus may have narrowed a little between May and June. UK industrial input prices probably continued falling last month, helping to reduce output price inflation.
Tuesday: Consumer prices are thought to have fallen in France last month, keeping inflation stable. The creation of temporary service sector jobs should have fuelled French employment in the second quarter.
Wednesday: Unemployment is forecast to have risen in the UK for the third month running in July, while annual average earnings growth should have slowed in the three months to June. The Bank of England publishes its latest Inflation Report.
Thursday: Initial unemployment claims are thought to have picked up in the week ending August 8. US retail sales are forecast to have been flat in July.
Friday: US producer prices should have been stable last month, while industrial production is thought to have dropped a little.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	May current account†	FFr20.0bn	FFr21.1bn
Aug 10	UK	Jul producer price index input*	-0.1%	-0.7%
	UK	Jul producer price index input**	-8.5%	-8.7%
	UK	Jul producer price index output*	-0.1%	0.0%
	UK	Jul producer price index output**	0.8%	1.0%
	UK	Jul prod pri ind ex-food/drink/tob**	0.2%	0.2%
	UK	Jul British Retail Consortium survey		-0.1%
	Japan	Jul overall wholesale price index*	0.0%	0.5%
	Japan	Jul overall wholesale price index**	-0.3%	-0.3%
Tues	France	Jul consumer price index prel**	-0.2%	0.05%
Aug 11	France	Jul consumer price index prel***	1.0%	1.0%
	Canada	Jul housing starts, units	137k	133k
	US	Q2 productivity prel*		1.1%
Weds	UK	Jul unemployment	0.7k	0.7k
Aug 12	UK	May average earnings	5.3%	5.4%
	UK	Apr unit wages three months**	6.1%	6.5%
	US	Jul Atlanta Fed Index		17.6
	Japan	Jun current account (IMF) not†	Y1.28tn	Y988bn
	Japan	Jun trade balance (IMF) not†		Y1.09bn
	Japan	Jun foreign bond investment		Y1.12tn
Thur	US	Jul retail sales	-0.7%	0.1%
Aug 13	US	Jul retail sales ex-automobiles	0.4%	0.1%
	US	Initial claims Aug 8	310k	307k
	US	State benefits Aug 1		2447k
	Canada	Jun motor vehicle sales*	0.0%	1.1%
	US	Jul export price index	-0.4%	-0.6%
	US	Jul import price index	-0.5%	-0.5%
	US	M1 week ended Aug 3	$4.5bn	$4.3bn
	US	M2 week ended Aug 3	$4.7bn	$4.5bn
	US	M3 week ended Aug 3	$11.4bn	$15.9bn
	US	Jul monthly M1	-$2.1bn	-$3.2bn
	US	Jul monthly M2	$17.0bn	$18.4bn
	US	Jul monthly M3	$3.6bn	$24.8bn
Fri	Japan	Jun industrial production†		1.3%
Aug 14	France	Q2 non farm payroll prel*	0.8%	0.7%
	US	Jul producer price index	0.0%	-0.1%
	US	Jul producer price ind* ex-food/energy	0.1%	0.2%
	US	Jun business inventories	0.0%	-0.1%
	US	Jul industrial production	-0.5%	-0.6%
	US	Jul capacity utilisation	80.9%	81.6%
	US	Aug Michigan Sentiment Preliminary**	105.0	105.2
	US	Jul bank credit		4.1%
During the week...				
	Germany	Jul final cost of living* west		0.1%
	Germany	Jul final cost of living** west		1.1%
	Germany	Jul cost of living* pan Germany	0.2%	0.1%
	Germany	Jul cost of living** pan Germany	0.9%	1.2%
	Germany	Jul wholesale price index*	-0.5%	-0.4%
	Germany	Jun retail sales, real†*	-0.5%	1.4%

*month on month, **year on year †seasonally adjusted

Statistics, courtesy Standard & Poor's MMS.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on [illegible] — Final Prices for Trading on 12.07.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	9.35	9.00	9.11	1.59
0100	9.38	9.42	9.42	0.00
0130	7.00	9.37	9.37	0.00
0200	7.00	9.36	9.36	0.00
0230	7.00	9.36	9.36	0.00
0300	7.00	9.36	9.36	0.00
0330	7.00	9.36	9.36	0.00
0400	7.00	9.36	9.36	0.00
0430	7.00	9.36	9.36	0.00
0500	7.00	9.36	9.36	0.00
0530	7.00	9.32	9.32	0.00
0600	7.00	9.32	9.32	0.00
0630	7.00	9.33	9.33	0.00
0700	7.00	9.33	9.33	0.00
0730	7.00	9.33	9.33	0.00
0800	9.53	9.36	9.36	0.00
0830	11.55	9.53	9.53	0.00
0900	11.56	9.45	9.45	0.00
0930	11.55	13.63	13.73	1.59
1000	12.04	13.70	13.81	1.59
1030	15.84	13.70	13.81	1.59
1100	15.84	16.65	16.75	1.59
1130	15.84	16.35	16.46	1.59
1200	15.84	19.61	19.71	1.59
1230	15.84	17.00	17.11	1.59
1300	15.84	19.61	19.71	1.59
1330	15.84	19.61	19.71	1.59
1400	13.50	16.65	16.76	1.59
1430	13.50	16.35	16.46	1.59
1500	12.04	14.59	14.69	1.59
1530	12.04	13.70	13.81	1.59
1600	9.60	13.70	13.81	1.59
1630	12.04	13.70	13.81	1.59
1700	12.04	13.70	13.81	1.59
1730	12.04	14.59	14.69	1.59
1800	12.04	15.18	15.28	1.59
1830	12.04	15.18	15.28	1.59
1900	12.04	17.00	17.11	1.59
1930	12.04	17.00	17.11	1.59
2000	12.04	17.00	17.11	1.59
2030	12.04	13.70	13.81	1.59
2100	18.82	13.70	13.81	1.59
2130	19.89	13.70	13.81	1.59
2200	19.99	15.18	15.28	1.59
2230	19.89	15.18	15.28	1.59
2300	18.42	14.59	14.69	1.59
2330	12.04	13.63	13.73	1.59
2400	11.55	9.53	9.53	0.00

[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 10.08.98 — Final Prices for Trading on 13.07.98

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	9.35	9.42	9.42	0.00
0100	9.32	9.36	9.36	0.00
0130	9.30	9.36	9.36	0.00
0200	9.30	9.36	9.36	0.00
0230	9.30	9.36	9.36	0.00
0300	9.30	9.36	9.36	0.00
0330	7.00	9.35	9.35	0.00
0400	9.30	9.36	9.36	0.00
0430	9.30	9.36	9.36	0.00
0500	9.30	9.33	9.33	0.00
0530	0.00	7.00	7.00	0.00
0600	0.00	7.00	7.00	0.00
0630	7.00	9.35	9.36	0.00
0700	9.34	9.48	9.48	0.00
0730	9.11	15.24	14.41	1.73
0800	13.47	15.71	15.03	1.73
0830	15.29	19.88	19.56	1.73
0900	14.82	22.38	22.88	1.73
0930	27.15	43.94	45.63	1.73
1000	16.07	35.69	38.40	1.73
1030	15.37	36.07	39.84	1.73
1100	15.39	41.39	45.35	1.73
1130	15.41	49.33	58.12	1.73
1200	30.15	67.86	75.80	1.73
1230	30.15	65.90	73.70	1.73
1300	30.15	50.63	67.55	1.73
1330	16.09	42.83	47.88	1.73
1400	16.05	32.07	35.89	1.73
1430	16.05	29.09	32.04	1.73
1500	25.94	26.43	28.40	1.73
1530	25.94	25.95	27.86	1.73
1600	25.94	27.97	30.36	1.73
1630	25.96	34.33	37.63	1.73
1700	25.96	47.75	51.44	1.73
1730	21.71	44.06	46.93	1.73
1800	14.03	31.05	32.37	1.73
1830	13.87	19.06	18.95	1.73
1900	14.01	17.09	18.42	1.73
1930	13.67	16.01	15.20	1.73
2000	18.10	20.91	20.07	1.73
2030	9.38	9.83	9.83	0.00
2100	18.10	9.48	9.48	0.00
2130	19.62	20.89	20.05	1.73
2200	23.37	22.33	21.49	1.73
2230	19.82	27.84	26.79	1.73
2300	13.47	22.32	21.48	1.73
2330	13.47	17.00	16.16	1.73
2400	13.05	15.22	14.38	1.73

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.69/MWh becomes 1.669p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of [illegible]

JOTTER PAD

MONDAY PRIZE CROSSWORD

No.9,756 Set by DANTE

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday August 20, marked Monday Crossword 9,756 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 24. Please allow 28 days for delivery of prizes.

Name..........

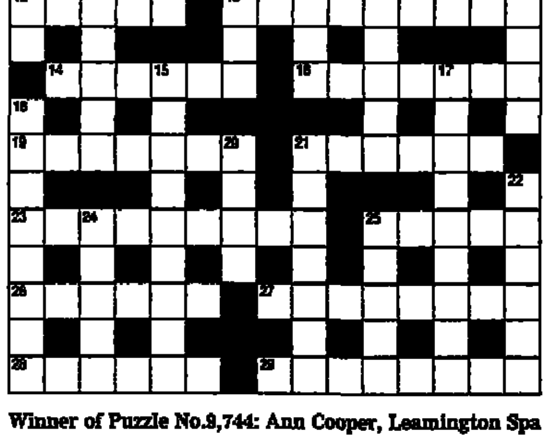
Address..........

ACROSS

1 Though fast with a roll of notes, he's very stingy (8)
5 Telephoned after the odds leapt up (6)
9 He sees robes are laid out before priest returns (8)
10 Boat put out on journey to see island (6)
12 Carries, as on a camel (5)
13 Aware how Kent got into trouble when batting first (2,3,4)
14 Makes a start in making the beds (6)
16 French arrogance (7)
19 Not stooping to dishonesty (7)
21 Convert me with this belief (6)
23 This fruit makes a heavenly drink in the east (9)
25 Troublesome gnats cause anxiety (5)
26 Improper fractions may be so described (6)
27 A star of the printed word (8)
28 Island's anchorage in the sound (6)
29 To put one at risk on purpose is a sin (8)

DOWN

1 Hop around in an attempt to get a prize (6)
2 Maybe it's some great big fuel store (9)
3 Fees set for law sittings (5)
4 A married woman in the country (7)
6 Pursue writing-style attractive to Americans (9)
7 Arthur's head is in a drink once more (5)
8 Used for light bait? (4-4)
11 It is fashionable to raise one's cap in 4 down (4)
15 Make worse by keeping tank in crumbling garage (9)
17 Calm and painless death (9)
18 Amount of business that's produced by a patisserie (8)
20 Deck is ship-shape (4)
21 To commit one rats by design (7)
22 Fireman who doesn't put fires out (6)
24 Part of prison circle in large-scale fiddle (5)
25 Engagement ring? (5)



Winner of Puzzle No.9,744: Ann Cooper, Leamington Spa

Solution 9,744